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Refunding the Short-Dated Debt

By A. W. MELLON
Secretary of the Treasury

The Treasury's Program for Meeting the Short-Term Debt Amounting to Approximately $7,500,000,000 is Under Way and the New Issues of Certificates and Notes Have Been Well Distributed. Secretary Mellon Briefly Outlines the Plan and Urges a Revision of Present Taxes, Which, Due to Their Extreme Character, Are Inefficient and Defeat Their Own Purpose. He Urges, too, Further Restriction of Tax Exempt Securities

IN a letter of April 30 to the chairman of the Committee on Ways and Means of the House of Representatives I announced the Treasury's program for refunding the short-dated debt. In pursuance of this program the Treasury announced for June 15 a combined offering of $500,000,000, or thereabouts, of three-year 5¾ per cent. Treasury notes and one-year 5½ per cent. Treasury certificates. The same whole-hearted cooperation which American bankers have extended to the Treasury in the past has made possible not only a heavy initial oversubscription to this offering, but also a good secondary distribution of the new short-term Treasury notes among investors. The total amount of subscriptions received by the Treasury for the combined offering was $788,007,000 and the total amount of subscriptions allotted was $625,375,600, divided into $311,191,600 of notes and $314,184,000 of certificates. This means that the Treasury's new program for refunding the short-dated debt has been successfully launched and is a most important constructive factor in the general situation. It relieves the security markets of the fear of a spectacular refunding operation in the immediate future and should bring improved market conditions for outstanding government securities, including Liberty bonds and Victory notes.

In the next two years, or thereabouts, there will mature about seven and one-half billions of short-dated debt (including the outstanding floating debt), and it is to the gradual retirement of this debt that the bulk of the Treasury's current surplus is necessarily applied, largely through the sinking fund and the miscellaneous debt retirements. Substantial progress has already been made in the retirement of the short-dated debt. On March 31, 1921, the short-dated debt aggregated $7,578,954,141.89, as compared with $9,248,188,921.12 on August 31, 1919, which was the date when the war debt was at its peak. This reduction of about one and two-thirds billions within that period was due in large measure to the reduced balance in the general fund and the application of receipts from war salvage, and in a lesser degree to surplus tax receipts. In view of its early maturity it is necessary that the Treasury regard this short-dated debt as a whole. Within the next two years it may hope to effect a further reduction of approximately one billion dollars through the continued operation of the sinking fund and the miscellaneous annual debt retirements. The remainder, or more than six billion dollars, will have to be refunded. As was announced on April 30, it will accordingly be the policy of the Treasury to vary its monthly offerings of Treasury certificates of indebtedness at convenient intervals, when market conditions are favorable, with issues of short-term notes in moderate amounts, with maturities of from three to five years. This program aims at a gradual distribution of the short-dated debt through successive issues of Treasury notes in maturities extending over the five years from 1923 to 1928, when the Third Liberty Loan will mature. The current requirements of the Treasury will also be met, as in the

past, by offerings of Treasury certificates from time to time. A program of this kind should make the short-dated debt more manageable and facilitate the refunding operations necessary in connection with the maturity of the Victory Liberty Loan. The successful carrying out of the program will depend in large measure on the cooperation of the American bankers in the distribution of the notes, the practice of rigid economy in expenditures in all departments of the government and an intelligent revision of the tax laws.

The current operations of the government in the first eleven months of the fiscal year, through May 31, show a net current surplus (excess of ordinary receipts over ordinary disbursements) amounting to $228,602,077.55. In June the second quarterly instalments of income and profits taxes were paid. The results of the completed fiscal year's operations, according to the best information now available, should show a net current surplus of about $500,000,000, which is substantially in accord with the estimates made earlier in the year. This current surplus will have been applied for the most part to the retirement of the short-dated debt, largely through the operation of the cumulative sinking fund, current redemptions of war saving certificates and miscellaneous retirements of the public debt as required to be made by law.

Available statistics show that during the first eleven months of the fiscal year there was a reduction in the gross debt of the government of about $350,000,000. Substantially the whole of this amount represents retirement of short-dated debt. When the operations incident to the June 15 offering of Treasury notes and certificates and the quarterly payment of income and profits taxes on the same date shall have been completed there should be further important reductions in the gross debt and the short-dated debt, as well as a better distribution of the short-dated debt.

A broad and active market has already developed for the new notes and secondary distribution among investors is progressing rapidly.

A brief analysis of immediate problems which the Treasury must meet and solve within the next two fiscal years shows plainly, as President Harding stated in his first message to Congress, that:

> . . . Unless there are striking cuts in the important fields of expenditure, receipts from internal taxes cannot safely be permitted to fall below four billions in the fiscal year 1922 and 1923. This would mean total internal tax collections of about one billion less than in 1920 and one-half billion less than in 1921.
>
> The most substantial relief from the tax burden must come for the present from the readjustment of internal taxes, and the revision or repeal of those taxes which have become unproductive and are so artificial and burdensome as to defeat their own purpose. A prompt and thoroughgoing revision of the internal tax laws, made with due regard to the protection of the revenues, is, in my judgment, a requisite to the revival of business activity in this country. It is earnestly hoped, therefore, that the Congress will be able to enact without delay a revision of the revenue laws and such emergency tariff measures as are necessary to protect American trade and industry.

Taxes of the extreme character of the present excess profits tax, for example, are inefficient and defeat their own purpose. They are clogs upon productive business and should be replaced by some other and more equitable form of tax upon income and profits. An intelligent revision of such taxes should stimulate production and encourage it, and in the long run result in increased rather than diminished revenues. Early action on this question is necessary. Unless a revision is adopted shortly it could not fairly be applied to income and profits arising from the business of the present calendar year. In this connection the following principal suggestions regarding revision of the internal tax laws have been submitted by the Treasury to Congress:

1. The excess profits tax should be repealed and the resulting loss of revenue should be made good by means of a modified tax on corporate profits or a flat additional income tax upon corporations and the repeal of the existing $2,000 exemption applicable to corporations. The excess profits tax is difficult of administration and is rapidly losing its productivity. For the taxable year 1921 it is estimated that the yield will be between $400,000,000 and $500,000,000, as against $2,500,000,000 for the taxable year 1918, $1,320,000,000 in 1919 and $750,000,000 last year. In fairness to other taxpayers and in order to protect the revenues the excess profits tax must have a substitute. A flat additional tax on corporate income

New Treasury Note Subscriptions and Allotments

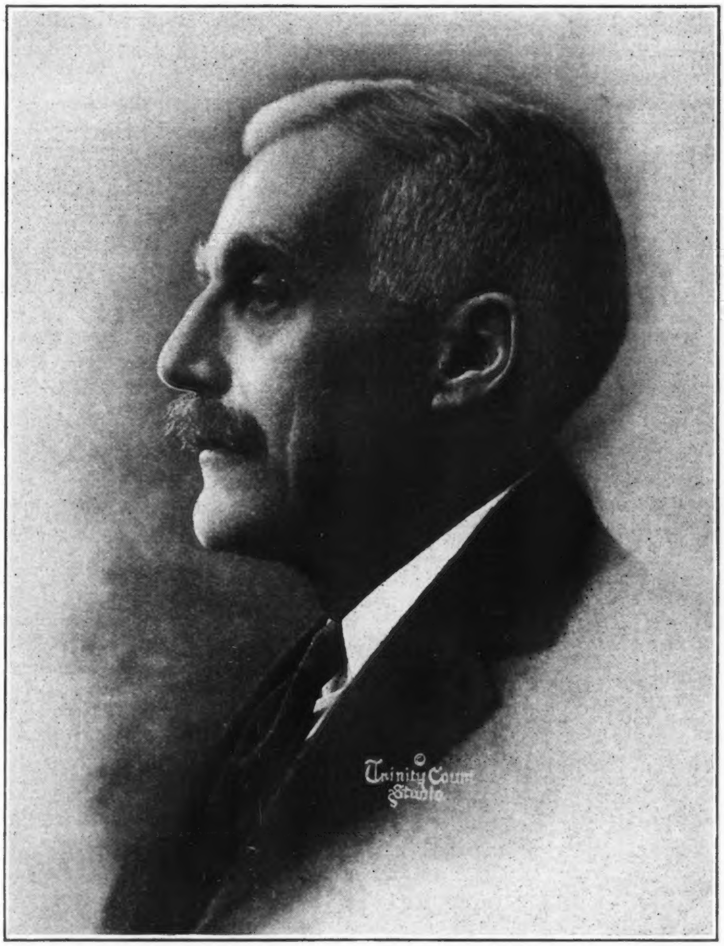
The following figures show the subscriptions for the combined offering of June 15 last, with the allotments among the Federal reserve districts, which are placed in the order of the percentage of their subscriptions to their quota:

Federal Reserve District	Total Subscriptions Received	Total Subscriptions Allotted	Treasury Notes, Series A-1924, Allotted	Treasury Certificates, Series T J-1922, Allotted
Philadelphia	$105,714,600	$70,843,000	$45,509,500	$25,333,500
New York	394,353,500	294,380,700	157,225,200	137,155,500
Cleveland	83,012,200	60,400,200	21,175,200	39,225,000
St. Louis	26,604,600	22,441,600	9,740,100	12,701,500
Boston	44,987,000	43,975,000	22,905,000	21,070,000
Richmond	17,224,500	17,224,500	8,698,500	8,526,000
Chicago	54,424,700	54,424,700	20,650,200	33,774,500
Kansas City	14,824,000	14,824,000	5,346,500	9,477,500
Dallas	8,766,600	8,766,600	4,058,600	4,708,000
Minneapolis	10,763,600	10,763,600	5,301,100	5,462,500
San Francisco	21,311,800	21,311,800	8,411,800	12,900,000
Atlanta	6,019,900	6,019,900	2,169,900	3,850,000
Total	$788,007,000	$625,375,600	$311,191,600	$314,184,000

would avoid determination of invested capital, would be simple of administration and would be roughly adjusted to ability to pay. It is estimated that the combined yield for the year 1921 from a tax of this character at the rate of 5 per cent. and the repeal of the $2,000 exemption would be about $400,000,000.

2. The income tax rates should be readjusted to a maximum combined normal tax and surtax of 40 per cent. for the taxable year 1921, and thereafter of about 33 per cent., with a view to producing revenues equal to the estimated receipts from the income tax as it now exists. This is recommended not for the relief of the rich, but for the simple reason that the higher surtax rates have already passed the collection point. They constitute a bar to transactions, involving turnovers of securities and property which would be accomplished with lower surtax rates, thus yielding substantial new revenue to the government. The total estimated revenue from the present surtaxes for the taxable year 1921 is about $500,000,000. The estimated yield for the year from surtax rates of about 32 per cent. would be about $100,000,000. The immediate loss in revenue resulting from repeal of the higher surtax rates would be relatively small and the ultimate effect should be an increase in revenues.

3. The miscellaneous specific sales taxes and excise taxes, including the transportation tax, tobacco taxes, tax on admissions and the capital stock tax should be retained, but minor "nuisance" taxes, such as those on fountain drinks and the miscellaneous taxes levied under Section 904 of the Revenue Act are extremely difficult of enforcement and relatively unproductive and should be repealed. I wish it were possible to recommend the repeal of the transportation tax as it is most objectionable, but it produces $330,000,000 in revenue a year. Such action could not be taken safely unless Congress is prepared to provide an acceptable substitute.



A. W. MELLON

4. Sufficient additional or new taxes of wide application, such as increased stamp taxes, license taxes on the use of automobiles, or the like, should be imposed to bring the total revenues from internal taxes to about $4,000,000,000 in the fiscal year 1922-23. The only way to escape these additional taxes is to effect immediate cuts in current expenditures equal to the amount they would yield.

I have also suggested for the consideration of Congress that it may now be wise to take action by statute or constitutional amendment to further restrict issues of tax exempt securities. It is the present policy of the Federal government not to issue its own obligations with exemptions from Federal surtaxes and profits taxes, but states and municipalities are issuing fully tax exempt securities in great volume. Estimates place outstanding fully tax exempt securities at approximately $10,000,000,000. The existence of this mass of fully tax exempt securities constitutes an economic evil of the first magnitude. The continued issuance of tax exempt securities encourages the growth of public indebtedness and has a tendency to divert capital from productive enterprise. Even though the exemptions of outstanding securities of this nature cannot be disturbed, it is highly important that further issues be controlled or prohibited by mutual consent of the state and Federal governments.

Japan From a Banker's Viewpoint

By A. BARTON HEPBURN
Chairman of the Advisory Board, Chase National Bank, New York

The Period of Depression and Liquidation in Japan Was Severe but it is Over. Money Conditions Are Easy and Japan is Now Awaiting Prosperity

JAPAN is the most beautiful country I have ever seen. Her volcanic nature gives to her mountains a picturesqueness, a sheer abruptness, a succession of abnormal formations, of eccentric and queer shapes, found in no other country, at least in anything like the same degree.

"The rocky summits, split and rent
Formed turret, dome or battlement,
Or seemed fantastically set
With cupola or minaret."

I saw the country at its best. Vegetation, released from the fastness of winter, was everywhere coming into bloom and fruition. The crops were very promising in color and stance, and everything portended a great harvest and, hence, great prosperity.

Money Conditions Easy

Japan has enjoyed unusual prosperity for several years, prosperity incident to the war, and the inevitable depression ensued, striking her six months in advance of the depression in this country. Japan owns the Bank of Japan, also a substantial interest in the Yokohama Specie Bank, the Land Bank, and the Industrial Bank; is in fact, a partner in the banking business. It was easy for her to extend help to interests in need, and this she did, steadying the silk, cotton and woolen industries, and the metal trades as well. A cataclysm was prevented and liquidation helped along with a minimum of loss and disturbance. Money conditions are easy, and she is now marking time for the inevitable prosperity bound to ensue.

Intense Cultivation

There are no waste places in Japan, no unkept spots to offend the eye, no quagmires, no swales, no places deemed unworthy of cultivation. The whole country is like a well kept park and correspondingly beautiful. The explanation is simple. The density of Japan's population demands that every portion of her soil contribute to the support of her people. The dry lands produce cereals, the wet lands, rice; tea, and the mulberry tree, raised for its leaves upon which the silk worm feeds, abound. Intense cultivation by means of fertilizers is the rule, and irrigation is much in evidence. They are making the soil produce the maximum amount possible, in order to support their great and rapidly growing population.

> JAPAN and the United States were both made creditor nations by the war. There is no question about the credit of either one of them. They are both on the gold standard, and to these two nations more than to any and all others, the world is looking for the preservation of the gold standard and the protection of the credit fabric of the world. We have no time nor occasion to "scrap" with each other, but should work in unison for the welfare of the world.

Needs of Increasing Population

Japan's population is increasing at the rate of 600,000 souls annually, and Japan is sorely perplexed to find food for her people. Her people migrate to Korea some and to Manchuria. They naturally seek an outlet on the Asiatic continent, and rightly so. They need raw materials to support their factories; they need coal and iron especially. Japan's policy is to follow in the footsteps of England in her national development; to become a great manufacturing nation, and thus give her people employment; to sell her manufactured products abroad, and thus pay for her raw material and secure the wherewithal to buy food products, thus supplementing what she raises. This is a perfectly legitimate ambition, and her economic development is naturally on the mainland of Asia. Propinquity would dictate this.

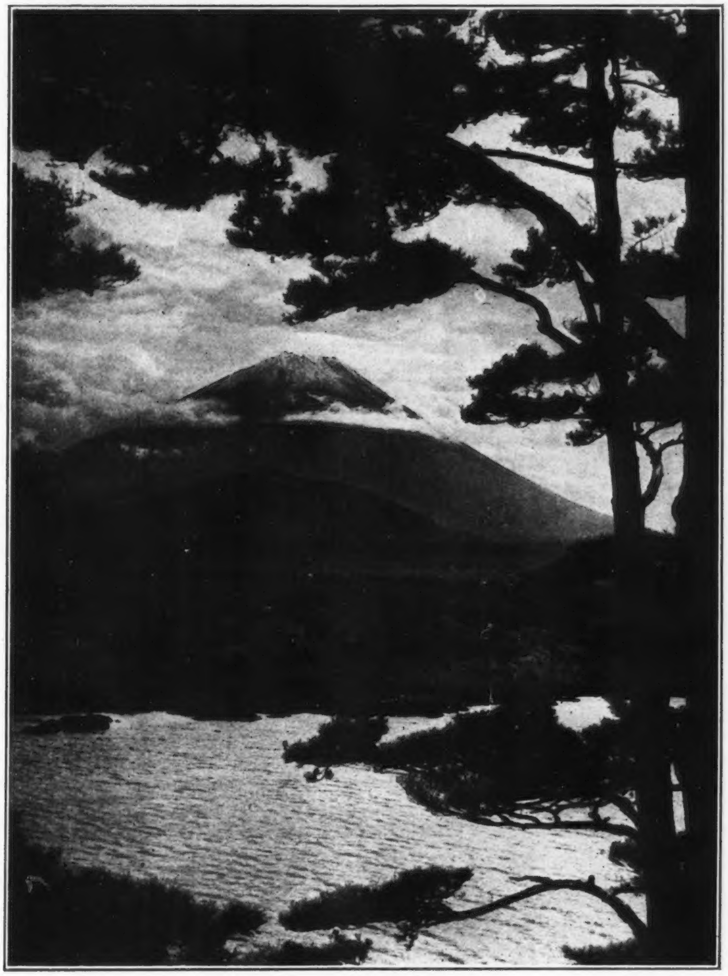
Japanese Want Peace

Wherever the Japanese go they carry law and order with them and afford relief to misgoverned nations. The fact that there is no stable government at the present time in China or Siberia, makes the Asiatic people welcome the enforcement of law and order which occurs wherever the Japanese go.

The Japanese do not want to fight with us, they wish to live upon friendly, even cordial, terms with us. But they do want to live and they are going to live, and they must expand. They are not allowed to migrate to our country or Canada, and we froth at the mouth when we hear that they are getting a foothold in Mexico. What else

is there for them to do but to expand on the Asiatic continent? We certainly would, were we similarly situated, England would, any country would. And why cannot we let them follow this natural course without this continuous nagging? It only exasperates them, and we have no intention of doing anything about it. This country would never go to war over the Shantung question; it would never go to war to preserve the Open Door in China. England with Hong Kong and outlying territory is as much an offender as Japan can be; France is similarly situated. Japan has succeeded to the rights of Russia and Germany, acquired in both instances as the fruits of victory in war. Her foothold at Dalny and Port Arthur and the possession and ownership of the South Manchurian Railroad came to her as the result of the Treaty of Portsmouth, and as part compensation from Russia. China is no worse off, but far better off, to have this railroad and rights in the possession of the Japanese, for instead of a military line for strategic purposes as it was under the administration of Russia, it is now a great commercial railroad, serving the interests of the people and affording them an immediate market for everything they can raise.

No one rejoiced more than the United States when Japan drove the Germans out of Kiao-Chau and closed that port as a base for German submarines and German commerce destroyers. By a treaty with England and France, she was the acknowledged successor to the German rights in Shantung. Why not let her enjoy the fruits of her victories without this constant nagging? To turn Shantung over to the Chinese Government now would be surrendering the territory to banditry and outlawry, since the central government of China is without funds and without resources and without power that anyone respects. Japan is quite ready to surrender the sovereignty of the country to China; she naturally seeks commercial advantages and the protection of her commercial interests. She is very human and is actuated by the same impulses that would actuate our nation.



Fujiama as Seen Through the Pines of Lake Shoji

Japan and the United States were both made creditor nations by the war. There is no question about the credit of either one of them. They are both on the gold standard, and to these two nations more than to any and all others, the world is looking for the preservation of the gold standard and the protection of the credit fabric of the world. We have no time nor occasion to "scrap" with each other, but should work in unison for the welfare of the world and ourselves.

The Revenue Act of 1921

BY THEODORE S. CADY

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Suggested Provisions Which Should Be Contained in the Law as Seen by a Mid-West Tax Expert

IF there ever was a reason for the levying of excess profits tax against corporations, that reason has long since ceased to exist. That part of the Revenue Act of 1918 which levies an excess profits tax, should be repealed entirely. This undoubtedly will be done by Congress during the current year and will probably be made effective for the entire year 1921. This would eliminate invested capital schedules, inadmissible assets, and also consolidated return requirements.

Capital Not the Basis

Invested capital is an enigma that no one, including Treasury Department officials, has ever been able to definitely solve, and is not a correct basis for the assessment of taxes. Evidence of this fact is brought out very clearly when comparison is made between excess profits taxes paid by two corporations, doing a like volume of business, each netting an equal amount of income—one of which has an invested capital of a nominal amount, depending on a bond issue, or other borrowed money to furnish the required capital to conduct its business, and the other corporation having paid up capital and surplus in sufficient amount to run its business. Also, it is apparent that an economic mistake is being made when a graduated tax is levied against earnings of corporations.

Under the provisions of the present Revenue Act, it is possible, and such a thing has happened in many instances, for a corporation to be taxed during the years 1918, 1919 and 1920 at 137.74 per cent. on that part of its net income which was subject to 80 per cent. war profits tax during the year 1918 and which was subject to tax in the high brackets during the two subsequent years. The disallowance as a deduction of Federal income and excess profits taxes paid and the high rates are the causes of this. Any law which levies such a tax should be repealed. My argument is that the excess profits tax should be entirely eliminated and that the income tax law should provide that Federal taxes paid shall be proper deductions in arriving at net taxable income.

To obtain a fair and equitable substitute for the excess profits tax will require considerable thought and study.

In my opinion, the new law should levy a flat rate of tax of 15 per cent. to 18 per cent. on net earnings of corporations. Possibly the exemption of $2,000 should be continued in the new law for the protection of corporations with small earnings.

Surtaxes Should Be Reduced

There should be levied a normal tax of 4, 6 or 8 per cent. against individuals on net income in excess of an exemption of $3,000 or $4,000, and the present surtax rates in the higher brackets should be reduced so that the combined maximum rates would not exceed 50 per cent. tax.

With the exception of State, County and Municipal securities, there should not be any such thing as tax exempt securities. Certainly, no new Federal issues of such bonds should be floated and it would be desirable to eliminate the tax exempt features of some of the government issues now outstanding.

The Federal Farm Loan Act is useful in that it furnishes a source of money from which farmers can advantageously borrow. This is, of course, desirable. But no one will argue that this could not have been accomplished without the issuance of exempt securities by the Federal Farm Loan and Joint Stock Land banks.

There should be eliminated from the new Revenue Act the small special taxes, which are bothersome to the department and to the taxpayers and which produce very little revenue in excess of the cost of collection.

Liberty bond exemptions should be simplified and the present complicated method of arriving at the maximum exemption stricken out.

Drastic Law Needed

The Commissioner of Internal Revenue should be relieved of the onerous duties of enforcing the Prohibition Law.

This article is not in any wise an argument for the adoption of a "sales tax." The fiscal condition of our government is not in such condition that a drastic law of this kind is necessary to raise revenue for ordinary purposes. The scheme of income taxation should be based on ability to pay, rather than to assess an equal amount against all individuals. Possibly, if the Soldier Bonus Bill becomes a law, there can be a general sales tax levied for a definite period of one or two years to produce the required revenue to pay the bonus. However, many economists and financiers interested in government affairs, insist that this revenue should be raised by a bond issue, delivering the bonds direct to those who served in the war, or paid as a pension.

The floating indebtedness of the government outstanding at the present time should be refunded into long-term bonds, and rigid economy practised in governmental expenditures. The required revenue can then be raised by income tax and the productive special taxes. The rates of stamp taxes on transfers of stock, deeds, notes, etc., can be increased without doing harm. Checks on banks should not be subject to tax.

The Federal Estates Tax

Probably one of the most theoretically scientific Federal tax laws in existence at the present time is the Federal Estates Tax Law. Certain amendments to this law would be welcome to bankers and taxpayers generally; among these could be mentioned the length of time, ten years, in which period the Federal Estates Tax is a lien against the property of the deceased person. But I would make no suggestions as to changes in this part of the statute, other than that the returns filed for the estate of a decedent should be audited by the department with the least possible delay after filing. Officers of banking institutions which maintain a Trust Department, have in the past had very serious difficulties in settling estates of deceased persons in advance of the audit made of the Federal estate tax return. Most trust officers desire to file these returns entirely correct and I believe do so, but there is in almost every large estate a difference of opinion as to the value to be placed on property owned by the decedent. If the department insists on using arbitrary methods in arriving at these values, they should by all means make their audits immediately after the returns are filed. It would also be desirable that a method be provided for the adjustment of additional tax claimed by the bureau, without the necessity of the taxpayer resorting to the courts.

Deductibility of "Personal" Taxes Paid by Banks

Can anyone advance a good reason, based on fairness and equity, why state, county and municipal taxes paid by banks, which are assessed against their stockholders, should not be allowed as a deduction on the Federal income tax return filed by the bank?

My contention is that these "personal" taxes paid by banks are just as much of an overhead expense as real estate taxes, or as salaries, or interest paid on borrowed money or deposits.

Section 5219 of the National Bank Act prohibits the different states from levying taxes against National chartered banks, except on real estate owned. The National Bank Act became effective shortly after the close of the Civil War and compelled banks taking out a national charter to purchase government bonds, which were floated to pay the war debt. Congress intended to give special advantages to national banks over state chartered banking institutions and so exempted their personal property from local taxation. However, this act does give permission to the different state legislatures to levy personal taxes against the stockholders of national banks, and this being a fact, the several states have enacted laws levying personal property taxes against stockholders of banking institutions, based on the value of their stock ownership in such banking institutions. But it is ridiculous to assume that Congress intended, in the event the banks pay taxes which are assessed against their stockholders, that such payments were to be ignored in arriving at net taxable income.

Not Levied Against Banks

Except for the theory of law that these taxes paid are not levied against the paying bank, I think no one would contend that these personal taxes are not just as surely an ordinary and necessary expense for a bank as for a manufacturing or mercantile corporation. The fact that all of the assets of a manufacturing or mercantile corporation are supposed to be included in their local assessment, while all of the assets owned by the bank are not, is immaterial. Certainly no state could levy a tax against assets of a bank which represents deposits. Deposits held by banks are the property of the depositors and to a certain extent, the assets in which those deposits are invested, are the property of the depositors.

I appreciate fully that Article 566 of Treasury Department Regulations 45 provides that stockholders may use as a deduction on their income tax returns their proportionate part of the personal taxes paid by banks, with the added requirement that the same amount shall be included as income received. But this provision does not remedy the very serious difficulty with which we are confronted. No individual stockholder can be benefited to an extent of more than 4 per cent. or 8 per cent. normal Federal tax by using as a deduction his part of the personal taxes paid by the bank. This, regardless of the amount of net income received by the individual stockholder.

The New York Tax

The State of New York levies personal property taxes directly against trust companies, which are chartered by that state. This gives these trust companies an unfair advantage over national banks and state banks in New York. Other states have attempted to pass similar laws, applying to banking institutions chartered by their own state and it is questionable whether such laws would be constitutional in some of the states. Undoubtedly, the best solution of the matter would be to have the Federal income tax law provide for the deduction of personal taxes on the bank's return. It is certain that the deduction must be provided by the law itself if it is to be allowed. The United States Supreme Court has rendered a decision on a case, brought by the National Bank of Commerce of St. Louis, Mo., under the 1909 law, holding that under the provisions of that act, personal taxes paid by banks are not proper deductions for the bank.

Subdivision 3 of Section 234 of the Revenue Act of 1918, pertaining to deductions from gross income, reads in part as follows:

> (3) Taxes paid or accrued within the taxable year imposed (a) by the authority of the United States, except income, war profits and excess profits taxes; or (b) by the authority of any of its possessions . . .

In my opinion, this part of the act should be amended to read somewhat as follows:

> Taxes paid or accrued within the taxable year imposed (a) by the authority of the United States; or (b) by the authority of any of its possessions, including in the case of banks and other corporations state, county and municipal taxes, paid, which are assessed against the stockholders on the value of their stock in such banks or other corporations.

Legal authorities say there is no question but that Congress has the right to enact such a provision.

Banks do not desire any "class legislation" giving them benefits not enjoyed by other kinds of busi-

ness concerns. Rather it can be said that the present provisions are "class legislation" against banks. Neither is this an argument for reduction of Federal income taxes paid by banks, as compared to other corporations. It can truthfully be added that at present other corporations have a decidedly unfair advantage over banks, in that they can use as a deduction their personal property taxes.

The new Revenue Act will undoubtedly be in existence many years to come, and will probably be amended fewer times than have the previous acts. It is imperative that it be enacted on a basis of fairness and equity to all tax payers.

Furthermore, there is real menace in the contemplated move of many of the states towards the enactment of permanent state income tax laws. Most of the different states, which have such laws in effect at present, have followed the provisions of the Federal income tax law, more or less closely. Net income has not been determined when personal taxes paid are not taken into consideration. Under the present statute and regulations the average bank, owning their banking house and the ground on which it is situated is permitted to use as a deduction only about one-seventh of the total taxes of all kinds that it pays.

I cannot believe that the disallowance of the amounts paid by corporations as donations is comparable to personal property taxes paid by banks. Banks do not need or request any authority from Congress to make payment of these taxes to the local collectors. Such payments have been made for years and the banks have all the authority in making payments that they need. However, it is desired that banks be given permission to use these taxes as a deduction on their income returns. The only other local taxes paid by corporations which are not deductible are benefit taxes of a kind tending to increase the value of the property assessed. Personal property taxes that banks pay do not increase the value of the property assessed; the payment is an overhead expense, pure and simple.

Banks are subject to strict examination by Federal and state supervising officers. It is the duty of the bank examiner to require the bank to eliminate any uncollectible items of assets. Quite frequently examiners will require a partial charge-off of bonds or notes. In such cases, the bank should be permitted to claim as a deduction the amount required to be charged off. The present regulations of the Bureau of Internal Revenue tend to put a premium on loose banking methods, in that they hold that a deduction claimed as a loss must be on a closed and completed transaction. If a note, or any part of it, is uncollectible, it should be eliminated from the assets. A partial charge-off of this kind is just as surely a "loss sustained" as if the entire indebtedness of the borrower was charged off.

It will be noted that the above suggestion of an amendment to Section 234 of the Revenue Act provides that Federal income taxes paid shall also be deductible.

Those of us who have had charge of the work of preparing Federal income tax returns during the strenuous three or four years last past, have been struck with the necessity of having a special form of return on which to make the bank's annual reports of income to the government. For instance, bank returns are audited in one special department. It would seem that it would be an advantage to the Bureau, as well as to the banks, to have a special form prepared for banks to use. The only difficulty in having this put into effect would be the distribution by the collectors. Care would need to be exercised so that banks would receive the proper form. This is a minor detail that could be worked out successfully and the advantages both to the Bureau and to the banks would be many fold.

The A. B. A. a Force for Good

In forty-six years the membership of the American Bankers Association has increased from 300 to more than 22,000, according to George O. Walson, a member of the Executive Council, in an address delivered at the District of Columbia Bankers' Association at White Sulphur Springs last month, and banks from every state and territory and all our insular possessions are recorded among the list of active members. Mr. Walson's address was entitled, "What Membership in the American Bankers Association Means," and he outlined the work of the organization, saying in part:

"Credit is created by the forces of production, distribution and consumption. It is the function of the bank to buy and sell or borrow and lend the credit thus created. The complexity of that process is measured by the complexity of the civilization that creates the forces of production, distribution and consumption. Thus the problems of the banker today are harder to solve than those of his predecessors. They require more study, wider knowledge and an unqualified acceptance of those simple, though sound, unchanging fundamental principles that lead to success. In this association of bankers hundreds of bright minds are studying not only country-wide, but world-wide conditions that affect the social and economic state of mankind. Others are studying the precedents and traditions which our fathers handed down to us. Others are seeking those fundamental truths, which, when observed, lead to success, but disregarded mean failure. The work of these groups of investigators is being gathered and analyzed by other groups and out of it all emerges the crystallized sentiment of 22,000 bankers that is given to the world as a declaration of principles upon which a successful economic order of existence must be founded.

"Twenty-two thousand bankers all thinking and acting alike on matters of fundamental importance affecting the business of a country is a force that can accomplish much good."

Cooperative Marketing

By AARON SAPIRO

AGRICULTURE is the greatest business in America, but it is conducted with the least efficiency of all commercial activities.

In no line of industry is there so little coordination as in the marketing of farm products. As a class, the farmers have seen commerce progress broadly in the last generation in every line—grading, field and character of distribution, creation of demand, proper packing, marketing and credits; but the sale of farm products by the farmer himself has hardly changed in any important particular in all these years.

The farmer sells his products to buyers and does not understand how the price is made or why it varies from season to season or from day to day within the season. He takes what is offered; and he is helpless to change it, or even to understand it.

Dumping an Evil

The farmer borrows money on his farm and on its products. Neither the farmer nor the banker knows what the collateral is really worth. They do not know when some outside action may destroy the loan value of the commodity; and by such destruction, also lower the value of the land and its value as security.

The farmers of America, generally speaking, dump their products on the markets of the world. Last fall, when the price of cotton was sliding down, hundreds of thousands of farmers all over the country began to fear that they would be left with cotton on their hands. They brought their cotton into the local markets in quantities far greater than the commercial world could possibly absorb at a fair price. The buyers were literally swamped with cotton. Naturally, they did not offer the highest possible price when the growers were urging them to take the cotton at any price, so long as they would take it. The price began to slide more rapidly. The growers broke the price of cotton by dumping cotton against cotton at a time when the world markets could not absorb any large quantity of cotton.

Unquestionably the price of cotton would have come down from its top level. The extent of the decline from approximately 43 cents to 11 cents, and the rapidity of the decline, are the results of dumping by the growers. Manipulation by the speculative interests in cotton had far less to do with the collapse of the cotton market than the action of the farmers themselves in dumping cotton by the hundreds of thousands of bales, without any orderly or intelligent marketing program.

> IN California, where cooperative marketing has been most successful, financing of farmers and growers is done almost entirely through local bankers or correspondents. The crop mortgage is rapidly disappearing and funds are provided through promissory notes, serial promissory notes, bankers' acceptances or drafts drawn by growers and accepted by the cooperative organizations against non-perishable products stored in public warehouses. The California plan as it now functions shows that it is unnecessary for farmers to establish their own financial machinery, when, through proper organization it has been proven that banking methods need not be upset or a new financing medium found. Successful cooperative marketing is the result of cooperation between growers, bankers, editors, educators and other leaders.

In the sale of manufactured products, the usual commercial procedure is to merchandise the products, to move the commodities in a sane and orderly way into any of the markets of the world that will absorb them at a price, fair under current commercial and credit conditions.

This is the exact opposite to a system of dumping products.

The leaders of the commercial interests of this country have failed to develop the marketing of farm products along the line of intelligent merchandising, although they have introduced this system into the handling of all other products throughout the world.

In all industrial production, the world is committed to the policy of group production (embodied in the factory system). Group production demands group capital and involves group marketing. This in turn permits the merchandising of the manufactured products.

In order to enable industry to carry out this program of group production through group capital, resulting in group marketing, the various states have created the corporation, as an artificial entity, which can act like an individual, sue and be sued, exercise distinct legal powers, and possess definite legal rights, all in the interests of great commercial progress.

Individual Production

On the other hand, agriculture is characterized by individual production. We not only recognize this system of individual production as a fact, but we universally deplore the system of tenantry which dilutes the individual system, tainted by a remnant of feudalism. Economists encourage the development of small farms owned and operated by the farmer residing thereon.

The marketing of farm products is a group problem. The farmer, in order to merchandise his products intelligently, must act with other farmers as a group.

With individual production and group marketing, cooperation is the one means to accomplish for agriculture what the corporation has done for other industries.

What is cooperative marketing? There have been so many false and unbusinesslike attempts at cooperative marketing that it is difficult to define the term. Cooperative marketing is not a patent medicine or cure-all for the ills of the farmer. It is a scientific system, designed to minimize speculation and waste and to merchandise the products of the farm.

The aim of cooperative marketing

is the sane and orderly marketing of farm products without unnecessary internal competition and with an equal return to every grower for the same quantity, quality and grade of product.

The method must depend, first, upon the legal frame-work, which varies according to the laws of the state, and second, upon the character of the commodity.

With perishable products, the chief problem is routing, so that the various consuming markets may receive all that they can absorb at a fair price, without periodic gluts and famines.

With non-perishable products, a highly centralized system has proved most successful, where all growers deliver the specific product to one association. The central association takes title to the commodity; then grades, pools and markets the product through one central office.

With non-perishables, the primary problem is storing, financing, and gradual distribution so that the markets will have a sufficiency at all months of the year, without allowing stocks to be piled up by speculative dealers for manipulative purposes.

With perishable products, an agency contract may be sufficient; with non-perishable products, title should pass to the central association under the sale and resale contract to permit the use of the commodity as bank collateral.

Different methods must be applied to products which can be harvested, packed and shipped every month of the year, such as oranges, and products that are harvested once a year but are put into consuming use all through the year. This is one of the marketing differences between eggs and wheat.

The same method cannot be applied to a product which is sold to the consumer in the same form in which it leaves the producer and to products in which a manufacturing or other process intervenes between producer and user.

The method may further depend upon points of competition within the United States or in foreign markets; or it may depend upon the necessity for localized distribution. Organizations for handling milk must be built around a main city center which needs a steady and sufficient supply of whole milk. But for the handling of the surplus milk in manufactured form, such as butter and cheese, local associations are insufficient and must federate with associations supplying other localities for the intelligent marketing of the milk products.

Experts Needed

Cooperative marketing associations must be correct in their operations. They are sure to fail if they have the wrong aim or the wrong method. But with the right aim and the best methods, they are also sure to fail if they disregard the need for experienced and broad-gauged men to conduct the business; or ignore the mechanics of operation that parallel modern commercial and banking methods.

There is necessity for careful study by experts of the particular commodity and of all the commercial conditions affecting it before any specific plan can ever be recommended as the right method of cooperative marketing for any particular farm product.

A vast body of experience serves to guide and to provide precedents for the proper methods and operations of cooperative marketing associations. The movement is found in every civilized country in the world.

In the United States, the movement has been most successful on the Pacific Coast. In California alone, there are about 80,000 farmers organized into cooperative marketing associations, each built around a particular commodity, handling an aggregate of over $250,000,000 worth of farm products annually.

These associations cover perishable products, such as strawberries, pears, grapes, apples, oranges, lemons, milk and eggs; semi-perishable products, such as potatoes and storage eggs; relatively non-perishable products such as prunes, raisins, dried peaches and apricots; non-perishable products such as walnuts, almonds, small beans, lima beans, canned fruits, baled alfalfa, bottled honey, and grains.

The experience of California covers a period ranging from twenty-five to three years in the various associations, in all phases of cooperative marketing—receiving, grading, packing, processing, standardizing, storing, advertising, marketing and financing these various types of crops, each with its own peculiar difficulties.

The California experience is sufficiently broad to permit a basic analysis of the reasons for failure of many cooperative efforts and for the success of the surviving enterprises.

It is safe to assume that associations, which had had at least three years of successful operation under varied commercial conditions, while prices were going up as well as on the down grade, under liberal credit conditions and under financial stringency, justify critical analysis to discover the fundamental things which should be copied in setting up any cooperative enterprise. Such an analysis of the successful cooperative associations in California indicates the following essential principles as to methods and activities:

Pooling Resources

(1) Cooperative marketing associations must be organized to sell by the commodity and not by the locality. The man who buys a product does not care where it comes from; he is interested only in a commodity of a certain variety, type and grade. He does not want wheat from Larned, Kansas, or from Hutchison, Kansas, or from Wichita, Kansas; he wants No. 1 hard winter wheat of a specific variety, grade and quality. The purchaser of agricultural products does not buy geography; he buys a commodity.

Locality is a problem of production. The commodity is the problem of marketing. In handling perishables, an association may be organized into locals for receiving and grading; but the locals must federate into a central agency for selling.

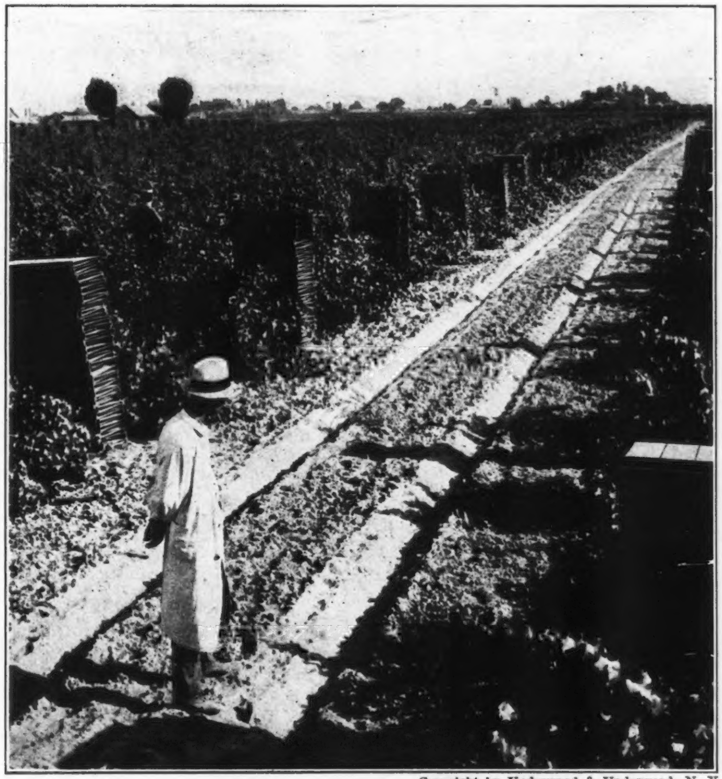
With non-perishables, it is advisable to organize the commodity into one association within the practical limits of each state, and then federate state organizations, if the product is raised on a national scale.

State lines should usually be ob-

served. State laws differ; enforceability of contracts may be affected; banking methods and customs may differ. From the standpoint of ease of management and recognition of practical difficulties as well as sentiment, the state is usually considered the limit of organization for any commodity. The national marketing problem is then solved by federation of state associations handling that particular commodity.

Fundamentally, it is impossible to merchandise a farm product unless the organization is built from the commodity view-point and not the locality view-point. Throughout the Middle West there are thousands of grain elevators which call themselves cooperative, built on the Rochdale plan, handling the grain from their neighboring localities on a method which is exactly the contrary to real cooperation. The Rochdale system, as developed in England, appears to be successful for handling consumers' cooperative problems. It is necessarily localized and necessarily works on the basis of patronage dividends. It is, however, exactly the wrong system to apply in farmers' marketing problems. It is impossible to merchandise a farm product through localized Rochdale elevators. Each one of the local elevators becomes a competitor against every other local elevator. There is no coordination and no general selling plan. The marketing of grain through local elevators is very little better than the marketing of grain by the individual farmers. Both systems absolutely prevent a merchandising program and thus defeat the primary aim of intelligent cooperative marketing.

Successful cooperative marketing associations must be organized to sell by the commodity and not by the locality. Of course this commodity view-point must be colored by the specific practical problems of that commodity. Milk cannot be organized like cotton; wheat cannot be organized like oranges. But in every single instance, the commodity view-point instead of the locality view-point must be dominant or the enterprise may fatten the pockets of selfish promoters, but it can never serve to lighten the burden of the farmer.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Drying Raisins in San Joaquin Valley, Calif.

(2) Successful cooperative marketing associations must be organized by and for farmers only. A landlord or lessor who receives all or part of his rental in crops qualifies as a farmer. They must, however, exclude politicians and promoters. They must include only men who have an absolutely similar problem, and therefore a unity of view-point.

(3) Cooperative marketing associations must be established along definite business lines. These associations do not need capital. They are organized to market products. They must therefore have the certainty of products to market. This depends upon contracts. The basis of successful cooperative marketing is the contract with the grower. These contracts, as developed in California, usually provide that the grower must deliver his specific product, such as prunes, to the association for a term of years.

One-year contracts or contracts with an annual right of withdrawal are demanded by the laws of a few states. These contracts are generally defensible only when the association has had a long prior experience of success, and has therefore eliminated the speculative competitor.

With new associations, a long-term contract is essential. These contracts may range from three to fifteen years, under California experience. The long term gives an opportunity to engage able men and make good commercial connections. No great business can be built on a one-year basis. It is practically impossible to engage men who are already in good positions; or to work up a new marketing demand or new selling connections or new credit methods, except over a term of years.

The contract between the grower and the association should be absolutely tight. A rope of sand is useless. The California associations tie the growers with ropes of steel

that have been tested in the courts and have been almost universally approved. The contract should contain careful provisions to prevent breach; and these provisions should anticipate not merely liquidated damages but the enforced delivery of the product through equitable remedies.

The Conditional Minimum

In many of the California contracts a conditional minimum is provided, without which none of the contracts go into effect. With the prune association, no contract was effective unless the contracts were signed by 75 per cent. of the total production of California. This provision for a guaranteed minimum is a unique California development, exactly corresponding to the demand for the subscription of a certain amount of money to the capital stock of a bank before it can become operative.

This minimum guarantee insures to the cooperative association sufficient business to warrant the employment of able men; sufficient funds to warrant the payment of its overheads without too great a burden on each particular individual; and, most important of all, a position of importance in the markets of that commodity from the very day that it enters business. This minimum guarantee differs with the commodity; but it is always calculated as sufficient to enable the association to have a voice in the market; to have a share in making the price instead of merely taking a price on the current markets.

(4) Cooperative associations must be non-profit and cooperative in character. The association must make no profit for itself. It must simply deduct the cost of doing business and normal commercial reserves and pay the entire balance over to the farmers.

The heart of the cooperative idea in California is the internal pool. No successful cooperative association in California buys products from its members at a definite price. The prune growers illustrate the best standard method. About 12,000 growers deliver prunes to the association at approximately forty-two different points in California. The association accepts and grades these prunes by variety, size, and quality, and delivers to the grower a grade receipt showing the number of pounds of prunes he has delivered to the various pools. Each pool contains all the prunes delivered to the state association of any particular variety, size and quality. There may be almost one hundred pools of prunes in the association in any one season. If a grower puts into any specific pool 1 per cent. of the prunes in that pool, he gets 1 per cent. of the net proceeds. He may have prunes in forty or fifty pools.

The pools are sold from time to time in various quantities, in any market of the world. As sales are made, proceeds are distributed back to the growers, with sufficient retained to equalize and average the sales throughout the season. At the end, every grower receives the same as every other grower for the same quantity, variety, size and quality of prunes.

One Standard Basis

The California associations handle nothing from non-members. They handle the products of their members only; and all of those products are handled on the same standard basis.

Every director is a grower. His products are in the same pools with the other members. If the director wants a good price for his own products, he has to help get it for the products of every other member. If he wants to impose a charge against the other man's fruit, it likewise has to go on his own products.

Without this internal pool and the resulting community of interest, it is a sacrilege to call an association a cooperative marketing enterprise. The elevators throughout the Middle West represent local mass action; they do not represent cooperative marketing. They buy at fixed prices, and never with the intention of losing money on the transaction. They use the common knowledge and supposed efficiency of central management against the individual grower and not for the grower. They buy from one grower at one price and from another grower at another price. If they make profits at the end, they may declare patronage dividends to their members, or otherwise. But the patronage dividend may give some of the returns to the growers at the bottom; it does not equalize the season's operations.

The Rochdale Plan

The local elevators of the Middle West, operated on the Rochdale plan, lack two great fundamentals of cooperative marketing. They do not possess the primary aim of cooperative marketing, namely, the merchandising of farm products. They do not embody the primary result of cooperative marketing, namely, the distribution of proceeds so that every person receives exactly the same as every other person for the same quantity, quality, variety and grade of product.

(5) Cooperative marketing associations do not speculate. They must buy nothing from outsiders or from members at a fixed price. The purchase of products from outsiders taints the legal standing of the association and is an economic blunder. The purchase of products from various members at different prices destroys any idea of cooperation as such, and simply provides mass action instead of cooperative marketing.

(6) Even if a cooperative association has the right aim and the proper method, it will never be successful unless it operates through experts and is conducted on the best established commercial principles.

There is no place in a cooperative association for an amateur. The individual farmer is essentially a producer; he is not an expert marketer. In California the farmers, who are unquestionably as able and independent and intelligent as any other group of farmers in the United States, recognize that marketing farm products is an expert specialty which demands talents and experience different from that of the ordinary farmer. Therefore, they pool their products, elect

directors who have an absolute community of interest with them, and then leave the sale of the products completely to those directors. The directors then hire experts—experts for marketing, warehousing, processing, storing, financing. They pay adequate salaries. The California farmer does not ask for a fair price for prunes and deny a fair price for brains.

Without experts, cooperative marketing associations are a failure.

(7) These associations when organized must work parallel with all commercial elements. They must be community builders.

The association merchandises the crop through its experts. It uses the existing warehouses, packers and others necessary in the process, wherever they will work with the association.

It is essential to provide adequate financing, so as to make advance payments to the growers on the delivery of their crops. The bankers in California have worked out several methods to enable the associations to make these advance payments on a large scale. In every instance the financing is done through local bankers or through the correspondents whom the local bankers invite into the problem.

The Pacific Coast bankers have provided funds at wonderfully cheap rates, through bankers' acceptances, serial promissory notes, ordinary promissory notes, or drafts drawn by growers and accepted by the associations against non-perishable products stored in public warehouses. They have developed a technique of financing under which the bankers have been enabled to tap the resources of the Federal Reserve Bank for the growers and the associations.

The bankers have helped the cooperative associations to work out methods under which the associations secure funds for their members in liberal quantities and at amazingly low interest rates, without upsetting or changing a single banking method or creating a single new financial channel.

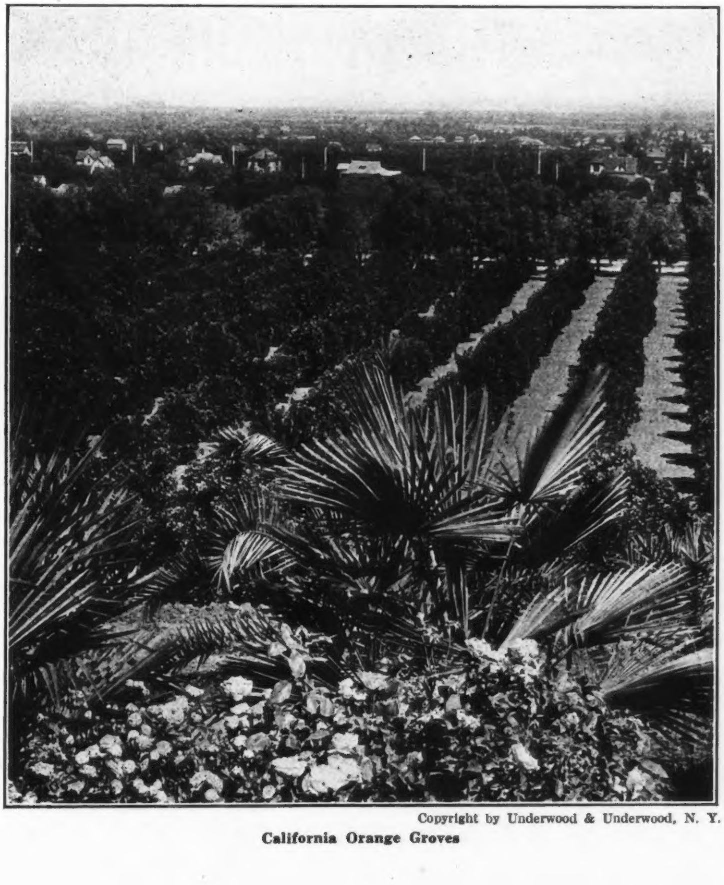
The California experience has proved conclusively that if the growers will organize their own business intelligently, the mercantile and banking elements of the community will be absolutely parallel and coordinated to their needs.

The California experience has demonstrated that it is absolutely wrong, as well as unnecessary, for the farmers to attempt to set up their own financial machinery. The existing banks and the existing methods have proved amply sufficient. The farmer in the Middle West has not yet succeeded in managing his own business; and he should go slow before he tries to set up a new financial system and manage a business utterly foreign to him.

Cooperative marketing associations have been built up in California as community enterprises. The bankers and merchants and editors and public thinkers have all helped the growers not merely to form the associations but to keep them successful. The result is that industries which were practically dead have become live and prosperous. The raisin industry which left deposits in the Fresno district in 1910-1912 of approximately $1,000,000 a year, in 1918 brought deposits into the same district in excess of $24,000,000. This was done without the aid of the Prohibition Amendment.

In other rural districts where cooperative marketing associations center, the increase in bank deposits and in the value of the land has been almost 300 per cent. greater than the normal increase in bank deposits and in land values in unorganized sections and unorganized commodities of California.

The cooperative associations of California have unified communities. They have brought all classes together. They have shown how the growers can help and serve each other; how the growers can contribute to the prosperity of the merchants and the merchants to the well-being of the



California Orange Groves

growers. They have shown how the banking system, as it now exists, can help the growers merchandise their crops and insure regular and permanent prosperity to the great agricultural districts.

They have learned how to handle supply; how to store and carry over non-perishable products; how to feed their commodities into the markets in a sane and orderly fashion so that the public, the grower, the merchant and the banker get the benefit of stabilized distribution instead of speculative and unintelligent dumping.

Above all things, the California associations have created a new standard of rural living for the farmers, with resulting prosperity to the rural towns.

Last year, over four out of five of the farmers in California cooperative associations made profits on their crops. At the same time, over four out of five of the growers of the United States, with superior crops and more universal commodities, lost money on their production.

The crop mortgage problem is almost disappearing in California. The growers are primarily depositors. They use the banks just as the small merchants do. There is a new spirit in the agriculture of California, and that spirit has fused together all elements of the community into one great prosperous whole.

Cooperative marketing is not a whim or a fancy. It is no particular formula; it is the application of a group of proved principles to any particular farm commodity. Its results are obvious and its methods are simple.

As the responsible guides of the commercial life of America, the bankers should study critically the cooperative movement in America, and adapt the proved principles of successful cooperation to the commodities which they finance. If the bankers want to keep the farmer producing; and to enable him to adopt a decent standard of living and to avoid tenancy, there is only one proved means to accomplish this end. Cooperative marketing associations for long periods of years have demonstrated that they can merchandise farm crops; and by merchandising farm crops they can make enough for the farmer without increasing the cost to the consumer, to encourage the farmer to continue production; to adopt the most reasonable and progressive forms of living and standards of comfort and culture; and to gradually work into commercial independence and breed the type of farmer that is good for American citizenship and American ideals.

Reserve Board Vault Tests

A VISITOR to that section of downtown New York adjacent to the block surrounded by Maiden Lane, Nassau, Liberty and William streets will be interested to see that every building in this square is being demolished. Many of these buildings are of historical interest, while others are of recent modern construction, but, nevertheless, they are all being removed to make way for the new home of the Federal Reserve Bank. This new building will, in every way, be the most modern, up-to-date structure, and will contain a vault of the size suitable for the bank's business, having a strength that the most able engineering skill of the United States can devise.

When the subject of the vault construction of this new bank building was first taken under consideration, it was realized that the matter was of such great importance that it should be given more than the usual consideration by the architects and engineers.

The Federal Reserve Board, understanding the importance of this subject to the reserve banks which were preparing to erect new buildings in various parts of the country, authorized Mr. A. B. Trowbridge, consulting architect to the board, to conduct a series of experiments in order to determine the true merits of the various methods of construction commonly in use. It appears that no reliable data had ever been compiled on the subject, and bankers were compelled to take the recommendation of vault engineers and vault manufacturers who had nothing better than opinions to offer. These experiments were conducted in Washington in the fall of 1920, and as a result many of the theories which had prevailed among vault engineers as to vault construction were entirely upset.

The purpose and nature of these experiments do, of a necessity, require that the complete results are not to be made public, but we are happy to say that several officials of the American Bankers Association and members of your insurance committee were, through the invitation of Mr. Trowbridge, privileged to be present at a conference held at the Hotel McAlpin, New York, on May 10. At that time lantern slides were shown and a very comprehensive explanation of the experiments held at Washington was made by Mr. Trowbridge and others in charge of the experiments, and it was clearly demonstrated that walls of concrete reinforced with heavy metal offer the greatest resistance to burglarious attack. The walls of reinforced concrete vaults, to offer the most satisfactory protection, should have a minimum thickness of twelve inches, and as much greater as the necessities and space of the bank will permit. After having heard and seen what we have, we feel that it is incumbent upon all of the members of this Association who are contemplating new vault equipment or making any alterations in their present equipment, before making any definite plans along such lines, to give serious consideration to the subject of the installation of reinforced concrete.

The Virginia Bank Tax Decision

THOMAS B. PATON
General Counsel

> A HIGHLY important decision in which the Supreme Court of the United States vindicates the attitude taken by national banks in many states against the overtaxation of national banks by state tax officials through an erroneous and too narrow interpretation of the anti-discrimination provision of the U. S. Revised Statutes.
>
> This decision will afford the basis for a readjustment of state tax systems and possible amendment of state tax laws along more equitable lines and will provide a charter of rights of national banks in resisting illegal assessments and possibly recovering back taxes illegally paid.

THE Supreme Court of the United States handed down on June 6, 1921, a decision in the case of Merchants National Bank of Richmond *v.* City of Richmond, which is of considerable importance to the national banks, as it gives a more favorable interpretation to the provision of Section 5219, U. S. Revised Statutes, which prohibits the states from taxing national bank shares "at a greater rate than is assessed upon other moneyed capital in the hands of individual citizens of such state" than has been made by state tax officials. In brief, the court makes clear that the anti-discrimination provision is not confined to money invested in competing banks, but includes bonds, notes and other evidences of indebtedness in the hands of individuals or others which may come into competition with national banks in the loan market. If national banks are taxed at a greater rate than these discrimination is shown and the tax is invalid.

The evidence showed that under a state statute and an ordinance of the City of Richmond, bank stocks, state and national, were taxed for the year 1915 for state purposes at 35 cents and for city purposes at $1.40—a total of $1.75 upon $100 of valuation, while upon intangible property in general, including bonds, notes and other evidences of indebtedness, the state rate was 65 cents and the city rate 30 cents, an aggregate of 95 cents upon each $100 of valuation. The aggregate values in 1915 upon which these tax rates operated were:

		Rate
National Bank Stocks, Upwards	$8,000,000	$1.75
State Bank and Trust Company Stocks, Upwards	6,000,000	1.75
Bonds, notes and other evidences of indebtedness (a substantial part in the hands of individual taxpayers; moneyed capital invested in the above coming into competition with national banks in the loan market)	6,250,000	.95

In denying the validity of the ordinance and statute, the Supreme Court says:

"The Supreme Court of Appeals entertained the view that the purpose of Section 5219, Rev. Stat., was confined to the prevention of discrimination by the states in favor of state banking associations as against national banking associations, and that since none such is shown here there was no repugnance to the Federal statute. This, however, is too narrow a view of Section 5219. It traces its origin to Section 41 of the act of June 3, 1864 (Ch. 106, 13 Stat. 99, 111-112), in which, besides the restriction that state taxation of the shares of national banking associations should not be at a greater rate than that assessed upon other moneyed capital in the hands of individual citizens of such state, there was an express proviso that the tax should not exceed the rate imposed upon the shares of state banks. But this was modified by act of February 10, 1868 (Ch. 7, 15 Stat. 34), in a manner which, as was pointed out in Boyer *v.* Boyer, 113 U. S. 689, 691-692, precluded the possibility of an interpretation permitting the states, while imposing the same taxation upon national bank shares as upon shares in state banks, to discriminate against national bank shares in favor of moneyed capital not invested in state bank stock. 'At any rate,' said the court, 'the acts of Congress do not now permit any such discrimination.' In the amended form the provision was carried into the Revised Statutes as Section 5219, which prescribes that state taxation of shares in the national banks 'shall not be at a greater rate than is assessed upon other moneyed capital in the hands of individual citizens of such state.'

"By repeated decisions of this court, dealing with the restriction here imposed, it has become established that while the words 'moneyed capital in the hands of individual citizens' do not include shares of stock in corporations that do not enter into competition with the national banks, they do include something besides shares in banking corporations and others that enter into direct competition with those banks. They include not only moneys invested in private banking, properly so called, but investments of individuals in securities that represent money at interest and other evidences of indebtedness such as normally enter into the business of banking. In Evansville Bank *v.* Britton, 105 U. S. 322, 324, the court said: 'The act of Congress does not make the tax on personal property the measure of the tax on bank shares in the state, but the tax on moneyed capital in the hands of the individual citizens. Credits, money loaned at interest and demands against persons or corporations are more purely representative of moneyed capital than personal property, so far as they can be said to differ. Undoubtedly there may be much personal property exempt from taxation without giving bank shares a right to similar exemption, because personal property is not necessarily moneyed capital. *But the rights, credits, demands and money at interest mentioned in the Indiana statute, from which bona fide debts may be deducted, all mean moneyed capital invested in that way.* . . . We are of opinion that the taxation of bank shares by the Indiana statute, without permitting the shareholder to deduct from their assessed value the amount of his *bona fide* indebtedness, as in the case of other investments of moneyed capital, is a discrimination forbidden by the act of Congress.'

"And in Mercantile Bank *v.* New York, 121 U. S. 138, the court,

speaking by Mr. Justice Matthews, after reviewing previous decisions and pointing out (page 154) the policy and purpose of the act as the key to its proper interpretation, proceeded to declare (page 157): 'The terms of the act of Congress, therefore, include shares of stock or other interests owned by individuals in all enterprises in which the capital employed in carrying on its business is money, where the object of the business is the making of profit by its use as money. The moneyed capital thus employed is invested for that purpose in securities by way of loan, discount, or otherwise, which are from time to time, according to the rules of the business, reduced again to money and reinvested. *It includes money in the hands of individuals employed in a similar way, invested in loans, or in securities for the payment of money, either as an investment of a permanent character or temporarily with a view to sale or repayment and reinvestment.* In this way the moneyed capital in the hands of individuals is distinguished from what is known generally as personal property.' Proceeding then to quote the passage we have cited from Evansville Bank *v.* Britton, *supra.*

"In Amoskeag Savings Bank *v.* Purdy, 231 U. S. 373, 390-391, the above-mentioned declaration of the court in Mercantile Bank *v.* New York, 121 U. S. 138, 157, including the citation from Evansville Bank *v.* Britton, was repeated, and it was pointed out that the rule of construction thus laid down had since been consistently adhered to. No decision of this court to which our attention is called has qualified that rule, or construed Section 5219 as leaving out of consideration the rate of state taxation imposed upon moneyed capital in the hands of individual citizens invested in loans or securities for the payment of money, either for permanent or temporary purposes, where such moneyed capital comes into competition with that of the national banks. Thus, in Bank of Commerce *v.* Seattle, 166 U. S. 463, 464, the precise ground of decision was the want of a showing that 'the moneyed capital left unassessed was, as to any material portion thereof, moneyed capital coming into competition with that of national banks.' To the same effect National Bank of Wellington *v.* Chapman, 173 U. S. 205, 219. In the present case there is a clear showing of such competition, relatively material in amount, and it follows that, upon the undisputed facts, the ordinance and statute under which the stock of plaintiff in error was assessed, as construed and applied, exceeded the limitation prescribed by Section 5219, Rev. Stat., and hence that the tax is invalid."

This decision may have application in a number of other states where there has been discrimination in the taxation of national bank shares and where moneyed capital invested in securities which compete in the loan market with national banks has been underrated; and it would seem desirable for national bankers in the different states to review the tax laws of their particular states and the methods and rates of taxation thereunder with the twofold purpose of (1) learning the facts as to discrimination between moneyed capital invested in national bank shares and other moneyed capital in the hands of individuals invested in loans and securities, (2) not only safeguarding themselves against future invalid taxation by injunction suit, if necessary, but also of obtaining refund of invalid taxes heretofore paid for past years, wherever such relief is possible under statutory provisions or where such taxes have been paid under protest. It would seem that the decision of the Supreme Court will probably call for some readjustment of tax methods and systems upon the part of state tax officials and possibly amendment of certain state laws.

In connection with the suggestion for review by bankers of the tax laws and systems in their respective states, it may be well to point out that not only where other moneyed capital is *underrated,* but where it is *undervalued,* though taxed at the same rate as national bank shares, there would be a discrimination under Section 5219. This is made clear by the decision of the Supreme Court of the United States in Pelton *v.* Commercial National Bank of Cleveland, 101 U. S. 143, where national bank shares were assessed at their full cash value while other moneyed capital was assessed far below its true value, the same rate of taxation being applied in each case and the evil being in the unequal valuation. The Supreme Court held that the tax was invalid and that the prohibition of taxation at a "greater rate" applied where an undervaluation or an unequal valuation was placed upon other moneyed capital as compared with capital invested in national bank shares, although the same rate of percentage on valuation was imposed. The Supreme Court said: "Any system of assessment of taxes which exacts from the owner of the shares of a national bank a larger sum in proportion to their actual value than it does from the owner of other moneyed capital valued in like manner taxes the shares at a greater rate within the meaning of the act of Congress."

It may be fitting to bring to the attention of our members that the successful outcome of the present suit is directly attributable to several years of hard and conscientious work on the part of Mr. Legh R. Page, counsel of the Merchants National Bank of Richmond, whose vice-president, Mr. Thomas B. McAdams, is the First Vice-President of the American Bankers Association.

Employees Locked in Vaults

News reports of bank employees being locked overnight in the vaults of several institutions without being able to let others know of their predicament has prompted several inquiries to the JOURNAL as to possible precautionary measures.

In reply it can be stated that in a large number of the big banks a device has been in use for some time for the protection of employees working in the vaults. This is an electric system, the imprisoned employee pressing a button within the vault, which causes the ringing of a loud bell where the bank watchman will hear it.

Also, there are other methods which let the employee inform the watchman of his imprisonment, and in some instances allow him to effect his own release.

Christmas Savings Clubs, 1920

By LEO DAY WOODWORTH
Savings Bank Division, American Bankers Association

THIS study of Christmas Savings Clubs was prompted by the importance which must attach to any plan in operation in 1920 in the 909 savings banks and savings departments in commercial banks and trust companies included in this report.

This is an attempt to supply accurate information on the comparative popularity and results of the different kinds of clubs, and also to determine whether this is merely an advertising "stunt" or whether it really promotes thrift and saving.

Historical points will not be discussed, although it is interesting to note that the Christmas Club idea dates back to Jeremy Bentham and his "Frugality Banks" of 1797, the first of which was organized by Rev. Joseph Smith at Wendover, Buckinghamshire, in 1799. The savings bank idea seems to have developed in one of those institutions in 1801 and in 1810 was organized in the Duncan "Parish Bank," upon which the modern self-sustaining mutual savings bank is patterned.

The present Christmas Club movement appears to date from 1910, when such a plan was adopted by the Union Trust Company of Lancaster, Pa.

Systems

The method of operating a Christmas Club may include either coupon books similar to those used in the Liberty Loan campaigns or the familiar pass-book or duplicate punch-card systems. The aim in all cases is to find a plan which is simple but accurate, which protects both the bank and the club member from fraud or mistake, and yet which is as inexpensive as possible both for supplies and for handling in the bank. We find twenty-two service companies which furnish systems and supplies. We have found no consensus of opinion among bankers as to the "best" plan. In fact, we are inclined to believe that there is no underlying principle upon which the vote of popularity could be determined at this time.

Many banks have devised their own systems. Care must be taken to avoid copying forms which may be copyrighted and the use of devices which may be protected by patents. This statement is not to be construed as a recommendation, for it is certain that any resulting economy may result in less attractive blanks and advertising matter and may produce very inferior results because of the necessity for obtaining experience either personally or by purchase.

As to what is a reasonable charge for installation of a complete system we are not prepared to make any definite statement at this time. The Savings Bank Division of the American Bankers Association solicits further correspondence on this point.

The primary benefit to any bank from its Christmas Clubs is to be found in their value as advertising. The clubs will bring into the bank that element (not always young) in the community which cannot be reached merely by preaching thrift,

TABLE I—CHRISTMAS CLUBS, 1920—MEMBERS AND RECEIPTS, BY CLUBS

CLUBS	BANKS		MEMBERS				DEPOSITS		
	Reporting for This Table	Per Cent. of Total Reporting	Began	Completed	Discontinued: Number	Discontinued: Per Cent. of Began	Signed	Paid In (Interest Included)	Per Cent. of Total Paid
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
All Clubs	60	..	50,149	35,341	14,808	42	$2,739,192.18	$2,162,228.51	100
10c. Weekly	11	18	352	263	89	25	1,725.24	1,347.92	0.06
25c. Weekly	43	72	4,871	3,646	1,225	25	73,422.63	60,960.70	3
50c. Weekly	59	98	9,265	7,204	2,061	22	230,975.28	212,147.48	10
$1 Weekly	59	98	14,197	11,323	2,874	20	705,453.40	595,456.35	28
$2 Weekly	44	73	6,066	4,224	1,842	30	565,607.32	475,361.02	22
$2.50 Weekly	3	5	74	58	16	21	9,282.11	7,308.98	0.3
$5 Weekly	34	57	1,334	988	346	26	422,562.10	356,068.58	16
$10 Weekly	6	10	33	28	5	15	16,510.00	14,519.29	0.7
1c. Increasing	23	38	1,718	848	870	50	20,215.54	13,218.47	0.6
1c. Decreasing	17	28	282	202	80	28	3,572.39	2,824.86	0.1
2c. Increasing	25	42	2,574	1,274	1,300	50	64,391.50	40,295.36	2
2c. Decreasing	21	35	899	656	243	27	22,699.71	18,917.53	1
5c. Increasing	29	48	5,613	2,871	2,742	48	355,699.64	186,723.75	8
5c. Decreasing	25	42	1,791	1,313	478	26	113,153.85	91,174.72	4
10c. Increasing	9	15	821	298	523	63	104,534.70	61,252.17	3
10c. Decreasing	8	13	181	116	65	35	23,259.02	18,523.58	0.9
Special	5	8	78	29	49	62	6,127.75	6,127.75	0.3

TABLE II—CHRISTMAS CLUBS, 1920—MEMBERS AND RECEIPTS, BY CLUBS

CLUBS	BANKS		DEPOSITS		LAPSES		FINAL PAYMENTS			
	Reporting for This Table	Per Cent. of Total Reporting	Paid In (Interest Included)	Per Cent. of Total Paid	Withdrawn During the Year	Per Cent. of Club	In Cash	Per Cent. of Club	Redeposited in Same Bank	Per Cent. of Club
(a)	(b)	(c)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
All Clubs	60	..	$2,162,228.51	100	$69,008.04	3	$1,705,578.53	79	$387,641.94	18
10c. Weekly	11	18	1,347.92	0.06	11.70	1	1,108.56	80	227.66	17
25c. Weekly	43	72	60,960.70	3	6,305.25	10	44,673.48	74	9,981.98	12
50c. Weekly	59	98	212,147.48	10	5,779.50	3	172,576.38	81	33,791.60	16
$1 Weekly	59	98	595,456.35	28	10,049.50	2	496,348.24	83	89,058.61	15
$2 Weekly	44	73	475,361.02	22	17,910.00	3	389,412.35	82	68,038.67	14
$2.50 Weekly	3	5	7,308.98	0.3	25.00	1	5,171.57	71	2,112.41	28
$5 Weekly	34	57	356,068.58	16	19,415.89	5	267,313.81	76	69,338.88	19
$10 Weekly	6	10	14,519.29	0.7	250.00	1	13,019.29	90	1,250.00	9
1c. Increasing	23	38	13,218.47	0.6	174.72	1	9,170.02	69	3,873.73	29
1c. Decreasing	17	28	2,824.86	0.1	75.29	3	1,769.94	63	979.63	34
2c. Increasing	25	42	40,295.36	2	547.62	1	30,747.40	76	9,000.34	22
2c. Decreasing	21	35	18,917.53	1	240.30	1	16,093.20	86	2,584.03	13
5c. Increasing	29	48	186,723.75	8	2,944.30	2	143,450.55	77	40,328.90	21
5c. Decreasing	25	42	91,174.72	4	1,268.90	1	84,202.51	92	5,703.30	6
10c. Increasing	9	15	61,252.17	5	3,283.87	5	20,652.96	34	37,315.34	61
10c. Decreasing	8	13	18,523.58	0.9	726.20	4	6,407.36	35	11,390.02	61
Special	5	8	6,127.75	0.3	....	..	3,460.91	56	2,666.84	44

which spends all that it earns, and a large proportion of which must be classed as spendthrift.

Many savings depositors will be included among the members of Christmas Clubs, and perhaps usually for the purpose of accumulating special funds for anticipating fixed expenses, thus leaving the savings account intact. In fact, we notice that some banks urge the use of Christmas Clubs as a means for meeting taxes, insurance, interest and other stated charges.

A caution which comes to mind at this point is for the exercise of special care against mixing the stock phrases of Christmas Club advertising with stock phrases of the particular bank. For example, we have seen pass-books for non-interest-paying Christmas Clubs which will display on the cover the name of the bank and such a phrase as, "We pay 3 per cent. interest."

As to newspaper space, it will be observed that the Christmas Club warrants the bank in using very sizable and conspicuous space during a month when savings banking is not especially in the public mind and when the bankers will find it difficult to preach thrift without encountering the opposition of the commercial classes.

Clubs to be Offered

The banker, of course, will offer to organize those clubs which will be desired by his prospective members. While there is no very great objection to a large assortment of clubs in any case where the passbook or other blanks are printed with the amounts due each week, the tendency is to prefer to offer only such a limited assortment as is reasonably necessary. This is evident by comparing the number and percentage of the sixty banks which contributed to our Table I that offered each of the clubs listed. But those totals and percentages should be considered in connection with the result as to amounts paid in the following columns of our compilation.

For instance, Table I shows:

1. Clubs for stated amounts, rather than for increasing or decreasing amounts, were selected by 72 per cent. of those who began and by 77 per cent. of those who completed their clubs.

2. Clubs for increasing amounts were selected in preference to clubs for decreasing amounts in the proportion of 77 to 23.

3. The $1 weekly club was selected by 14,000 persons and the 2-cent increasing club by 2,500 and the 5-cent increasing club by about 5,600 persons respectively, yet only 20 per cent. of the $1 club members discontinued before completion, whereas the mortality in each of the latter as in all other increasing clubs was about 50 per cent.

We will not take the space to note other interesting but obvious comparisons.

How Many Members Fail?

Any project of this kind which is backed by the enthusiasm of a war-time drive (!) may be expected to result in many memberships which will not be or perhaps cannot be carried to completion. This tendency is increased by those many Christmas Club advertisements which say in effect, "Your Christmas was spoiled by your lack of funds this year, so begin saving for a Merry Christmas next year."

Lapses are unavoidable, but it is important that they be made as few as possible.

Table I shows that of 50,149 persons who began clubs, 14,808 persons, or 42 per cent. of the total, failed to make all required payments.

That these lapses occurred soon

after the clubs were begun is indicated by the fact that of the two millions of dollars received by these sixty banks they withdrew but $69,008, or only 3 per cent., as shown by Table II.

Table II also indicates that the clubs in which occurred the largest percentage of lapses are those for the larger amounts. This prompts the need for urging club members to select clubs within their means, in order to avoid lapses and to reduce the high percentage of loss to the bank in opening accounts which do not pay out.

How Much Is Saved?

The extent to which the Christmas Clubs will promote thrift and saving is difficult to prove by statistics.

We find large clubs which are operated at an expense which is charged to advertising and without being charged with the expense of management and other overhead expenses. In such cases the bank looks to some permanent advantage, or even profit, by reason of the number of new deposits, and especially of new depositors, which are gained thereby.

In Table II we make an attempt to show the disposition of all payments into the Christmas Clubs in sixty banks. It must be noted that we are unable to obtain a record of Christmas Club moneys deposited elsewhere than in the bank operating each club, and especially that much depends in each case upon the amount of effort made by the bank to obtain redeposits of the Christmas Club savings.

Some bankers feel that it is inconsistent to make an effort to obtain redeposit of Christmas Club checks for the reason that they induced their owners to open the clubs for holiday use and other purposes of expenditure. But it is probable that most banks make some effort to retain the funds in bank, either by sending out a thrift letter, perhaps enclosing an order for transfer of part of the funds to savings account and requesting a bank check for the balance, or by requiring the member to call at the bank in order to get the cash.

Such statistics as we are able to furnish show (Table II) that 18 per cent. of the club payments were redeposited in savings accounts (in the same bank), while 79 per cent. were withdrawn. Correspondence received by the Savings Bank Division heretofore has indicated a rather general opinion among the managers of successful clubs that from 30 to 40 per cent. is redeposited and that it is thereby proved to be a promoter of thrift and saving. This tabulation does not sustain those more optimistic statements, although there are a few cases in which redeposits approach such a mark.

We believe that it is both reasonable and proper that bankers should endeavor to make their Christmas Clubs produce a larger amount and proportion of bank deposits. The clubs may be used as a means for providing *future* enjoyment and presumably encourage more careful or thrifty expenditure.

Growth of Clubs

A survey of the records indicate the marvelous growth of Christmas Clubs from year to year.

This being the first compilation of actual bank records we are unable to show the growth in all banks, but in Table III will present the records in a few banks which operate under fairly average conditions as to competition and size of city, and which data are fairly representative of other banks.

Promote the Christmas Clubs

The Christmas Clubs enable the banks to go outside of the usual line of their endeavor for increasing the number and amount of their deposits.

The Christmas spirit is here mixed with bank work to such an extent that the ordinary restraints of conservatism are avoided. Not only has it become quite consistent to use a style of advertising which savors much of the small department store, but we find sanction for the use of painted banners, tinseled Christmas trees at the bank door and similar features which are usually deemed to be out of harmony with the bronze and marble of the modern banking room.

Finally, although bankers are not always agreed as to the desirability of and benefits from the Christmas Club, from the viewpoint of practical banking, we hold that:

(a) It is a special appeal which reaches many improvident persons,

(b) It is a lesson in practical thrift and systematic saving which may be of advantage in future years, and

(c) It tends to produce a volume of thrifty expenditure which otherwise would be impossible.

TABLE III—CHRISTMAS CLUBS, 1912–1920. REPORTS ON GROWTH

Year	Bank "A"				Bank "B"	Bank "C"	Bank "D"	Bank "E"
	Members	Paid In	Redeposits	New A/C				
1920	5,300	$150,655.00	....	...	$150,655	$470,370	$75,250	$757,160
1919	4,200	101,750.33	$20,156.30	58	101,750	358,577	65,775	579,982
1918	4,500	117,741.42	16,055.43	64	117,741	289,728	64,050	458,192
1917	5,500	146,009.04	22,333.93	141	146,009	327,750	60,850	468,261
1916	5,000	133,594.29	26,270.88	255	133,594	297,010	52,600	373,273
1915	4,500	114,385.77	21,250.17	294	114,385	154,719	45,622	284,751
1914	3,000	78,511.56	19,180.83	248	78,511	.....	40,600	191,323
1913	2,200	51,306.70	10,049.11	229	51,306	.....	30,650	117,027
1912	800	17,977.00	3,299.48	105	17,977	.....	12,200	46,551

TABLE IV—CHRISTMAS CLUBS, 1920—TOTALS BY STATES

State	Banks	Members Began	Members Compieted	Gross Receipts (Including Interest)	Withdrawn During Year	Checks Cashed	Applied to Savings Accounts
Alabama	5	7,805	4,173	$290,725.44	$35,079.41	$227,428.61	$28,217.42
Arizona	2	415	213	17,976.48	672.00	14,474.12	2,830.36
Arkansas	6	8,771	4,411	331,354.54	17,320.39	189,601.73	124,432.72
California	6	7,845	7,194	354,822.67	4,118.10	338,870.40	11,834.17
Colorado	5	2,336	1,670	95,075.46	3,849.81	85,502.26	5,723.39
Connecticut	22	45,322	31,597	1,650,314.43	9,531.24	1,537,620.29	103,162.92
District of Columbia	2	5,540	4,602	182,637.50	9,363.75	169,010.06	4,263.69
Delaware	2	418	322	16,149.03	....	11,663.53	4,485.50
Georgia	7	6,515	3,935	239,616.14	1,525.00	208,402.57	29,688.57
Illinois	88	81,449	66,752	3,640,757.44	188,454.15	2,485,426.85	966,876.44
Indiana	47	38,658	29,266	1,274,321.81	56,594.96	1,043,025.14	174,701.71
Iowa	40	15,380	11,002	585,190.10	18,555.96	471,179.20	95,454.94
Kansas	11	4,552	2,998	182,050.74	5,309.47	142,489.84	34,251.43
Kentucky	8	52,229	47,371	1,789,012.06	86,311.44	1,467,007.26	235,693.36
Louisiana	6	26,001	13,654	833,564.80	13,506.99	786,703.26	33,354.55
Maine	6	2,686	1,821	119,199.96	78.00	95,998.74	23,123.22
Maryland	6	1,429	884	38,675.45	102.50	37,972.95	600.00
Massachusetts	42	74,585	44,978	2,438,914.87	59,400.82	2,008,435.23	371,078.82
Michigan	53	29,795	20,658	1,097,810.60	22,964.01	866,603.42	208,243.17
Minnesota	6	1,119	736	40,360.37	8,930.99	24,724.65	6,704.73
Mississippi	5	3,728	2,443	138,583.59	765.00	119,228.97	18,589.62
Missouri	16	22,899	17,559	901,553.12	10,499.31	773,956.63	117,097.18
Nebraska	5	14,000	929	57,214.05	3,367.33	53,746.72	100.00
New Hampshire	11	10,151	7,103	465,743.80	1,546.75	398,547.25	65,649.80
New Jersey	41	91,635	70,477	4,538,372.34	44,610.39	3,841,871.09	651,890.86
New York	37	81,813	42,795	3,180,003.67	143,138.08	2,680,517.31	356,348.28
North Carolina	6	4,179	2,093	133,080.26	.....	120,268.10	12,812.16
North Dakota	2	462	448	18,938.08	1,832.18	16,831.38	274.52
Ohio	84	164,246	128,407	6,361,060.41	29,818.75	5,835,374.29	495,867.37
Oregon	1	35	30	2,701.42	20.00	1,698.82	982.60
Pennsylvania	97	119,463	106,349	4,955,711.19	18,924.54	4,235,820.85	700,965.80
Rhode Island	2	7,049	6,348	297,772.00	17,000.00	271,372.00	9,400.00
South Carolina	6	6,202	4,824	193,401.01	1,695.68	174,364.70	17,340.63
South Dakota	3	388	292	16,532.93	519.25	16,013.68	....
Tennessee	4	8,587	6,747	269,365.78	1,632.20	177,593.51	90,140.07
Texas	3	1,522	806	61,546.39	1,999.29	46,882.37	12,664.73
Vermont	8	6,011	3,972	230,719.65	1,495.05	165,430.90	63,793.70
Virginia	8	24,585	17,980	602,961.12	6,228.44	460,890.17	135,842.51
Washington	2	3,962	3,592	104,637.87	18,795.68	73,338.24	12,503.95
West Virginia	5	7,223	3,868	231,329.24	3,643.64	200,157.31	27,528.29
Wisconsin	42	25,799	19,952	1,002,011.66	37,068.31	732,123.08	232,820.27
Hawaii	1	3,337	2,908	165,799.00	799.00	150,000.00	15,000.00
Total	758	1,020,126	619,240	$39,147,568.51	$887,067.86	$32,758,167.48	$5,502,333.45
Other Banks	151		113,342	6,564,558.13			
Grand Total	909		732,582	$45,712,126.64			

NOTE ON TABLE IV.

Per cent. of lapses—758 Banks—Persons	39%
Of Gross Receipts—758 Banks:	
Withdrawn during year	2%
Paid at termination in cash	84%
Transferred to savings deposit	14%
	100%

American Bankers Association

The following resolution was adopted by the Missouri Bankers Association at its thirty-first annual convention, held in St. Louis, May 17-18:

"The American Bankers Association is performing a signal service for the banking and economic life of the United States. This association could not function to the degree it has in the past except for the accomplishments of the American Bankers Association. We therefore urge upon all bankers in the association to join the American Bankers Association and thereby assist the national body in its great work for the banking profession."

OPINIONS OF THE GENERAL COUNSEL

THOMAS B. PATON
General Counsel

Liability of Bank Where Employee Is Injured by Hold-up

At common law there is no liability of a bank for injury to its employees or bystanders caused by robbers during a hold-up, but such liability might be imposed under the terms of the Workmen's Compensation Laws of some of the states. Under the Texas law there is no such liability.

From Texas—Will you please advise if it has ever been decided whether a bank is liable in case that during a hold-up, or attempted hold-up, any of its employees were killed or injured, and also if any innocent bystander was killed or wounded, if the bank would be held liable for any amount whatsoever?

At common law there would be no liability upon the part of a bank where any of its employees or an innocent bystander was killed or injured during a hold-up or attempted hold-up. The injury would not have been caused by any act or omission of the bank for which it was responsible.

The nearest approach to a possible liability of a banker for injury to a third person growing out of an attempted hold-up is indicated by the celebrated case of Laidlaw *v.* Sage, 158 N. Y. 73, where a desperate man handed the defendant a note stating the bag in his hands held ten pounds of dynamite which he proposed to drop unless given a large amount of money and the plaintiff alleged that the defendant moved the plaintiff's position so as to protect himself, virtually using the plaintiff as a shield when the dynamite was dropped and the plaintiff injured. The court of appeals, reviewing the fourth trial and reversing a judgment in favor of the plaintiff, held that it was the duty of the court to have directed a verdict for the defendant, for even if the defendant moved the plaintiff in the manner claimed, the law would presume it involuntary and unintentional in the face of terrifying danger and the evidence was insufficient to prove that the defendant performed any act or was guilty of any omission which rendered him even technically liable to plaintiff. Further, the court held that if, for the purpose of the discussion, it should be admitted that the plaintiff was moved as he testified and the act of the defendant was voluntary and intentional, even then the court erred in not directing a verdict for the defendant, at least so far as substantial damages were concerned, upon the ground that there was no sufficient proof that plaintiff sustained any injury in consequence of the alleged conduct of the defendant, for the proof utterly failed to show that plaintiff was more seriously injured than he would have been if he had remained where he claims to have first stood. The court further held independently that the explosion was the proximate cause of the plaintiff's injury and the only efficient cause and the act of defendant in changing the plaintiff's position a few inches to the left of where he previously stood, if admitted, did not cause the catastrophe; therefore the court erred in not directing a verdict for the defendant on the ground that the alleged act of his was not the proximate cause of the plaintiff's injury.

But while there is no liability at common law of an employing bank for injury to its employees by hold-up, it is possible that under the workmen's compensation acts of some of the states a bank might be held liable to an employee who was injured by a robber in a hold-up. For example, in Western Metal Supply Co. *v.* Pillsbury, 156 Pac. (Cal.) 491, a night watchman employed by a corporation was shot and killed by burglars and compensation was allowed his widow under the workmen's compensation act of California. One of the arguments against liability was that, because the shooting was the wilful act of a third person, the killing was not accidental, but the court denied the contention, saying that "an injury may be accidental even though it be intentionally inflicted by a third person."

It is doubtful, however, if such a liability would be incurred by a bank under the workmen's compensation law of Texas—assuming it applies to banking institutions—because to render the employer (other than a subscriber to the Texas Employers Insurance Association) liable in an action to recover damages for personal injuries sustained by an employee during the course of his employment or for death resulting from personal injury so sustained it is "necessary to a recovery for the plaintiff to prove negligence of such employer or of some agent or servant of such employer, acting within the general scope of his employment." (Complete Tex. Stat. 1920, Art. 5246-1.) Under such a provision a Texas bank could not be held liable for the killing or injury of an employee by robbers in an attempted hold-up.

Validity of Note Delivered Sunday Dated Monday

In renewal of notes maturing on Monday, new notes are executed, bearing Monday's date, which for convenience are delivered by the makers to the teller of the bank on Sunday at a place other than the banking house. The validity of such transaction is questioned. Opinion: While under the law of Pennsylvania a note delivered on Sunday is uncollectible unless subsequently ratified, still in the present case the teller to whom the notes are delivered on Sunday must be deemed the agent of the makers to deliver at the bank and his delivery of the notes at the bank on Monday makes the transaction valid.

From Pennsylvania—For our information will you kindly give us your views with reference to the following case that has come to our attention. Several of our customers having notes coming due on, say, Monday morning, have for their convenience to save themselves a trip to the bank given one of our tellers a renewal for the note on the Sunday preceding due date of the note, but the note was dated for Monday. Our contention in such cases has always been that this was a perfectly legal transaction, but arguments have been submitted to us that show that such is not the case, and if the parties whose names appear on the note so desire they cannot be held on the due date of the note, holding that as the clerk is an authorized agent of the bank, the delivery to him is the same as if made to the bank, and as Sunday delivery is not valid in the case of delivery being made to the bank, the same circumstances exist when the clerk receives the note.

1. Assuming these notes are delivered to the bank on Sunday, although dated on Monday, the notes would not be collectible as delivery completes the contract and under the law of Pennsylvania a note made and delivered on Sunday is uncollectible unless subsequently ratified.

Under the common law, the making of a note or contract on Sunday is valid, but the subject is largely regulated by state statute.

In Pennsylvania the act of April 22, 1794, 3 Sm. L. Sec. 1, 4 Purd. Dig., 13th Ed., 4485, interdicts every kind of worldly employment on Sunday, works of necessity and charity only excepted, and inflicts a penalty for its violation. It, however, merely inflicts a penalty for violation of its provisions and does not expressly avoid the act done.

In the case of Whitmore *v.* Montgomery, 165 Pa. 253, affirming the lower court, the trial judge in his charge to the jury said: "If a man makes a note on Sunday and delivers it and it is not executed it cannot be collected, unless the man who makes the note does something to approve it. If on Monday morning he says 'I will pay it as soon as I can' that is a ratification." So, too, if he pays interest. See to the same effect the case of Cook *v.* Forker, 193 Pa. 461, where a note was discounted on Sunday and a check for the proceeds dated as of the day following was given on Sunday to the defendant and indorsed by him on that day, but not drawn on until several days later; the transaction as a whole being ratified and reaffirmed constituted a legal and binding loan of money.

In an early case, Kepner *v.* Keefer, 6 Watts 232 (1837), where a note dated on Saturday was actually signed and delivered on the following day and the action was brought on the note alone and not upon any special agreement, the court held there could be no recovery on the note. In a later case, McCauley *v.* Phipps, 1 Chester 495 (1873), it was held that a promissory note signed on Sunday but not delivered until the next day was valid. The note in this case also bore date of the preceding Saturday. Under the Pennsylvania decisions it would seem that a post-dated note made and delivered on Sunday would be invalid and uncollectible unless it was shown that there was a ratification of the note afterward. The courts, however, would protect an innocent holder for value without notice. First National Bank of Waverly *v.* Furman, 4 Super. Ct. 415.

2. But it is doubtful if the renewal notes, delivered to the teller on Sunday at a place other than the banking house, which I presume to be the case, would be a delivery to the bank. I think in such case the teller would be constituted the agent of the makers to deliver the notes to the bank on the following day, Monday, and not until such delivery at the bank would the contract be completed and consummated by delivery of the notes. If this view is correct, the renewal notes would be valid and enforceable. See, for example, Demarest *v.* Holdeman, 73 N. E. (Ind.) 714, in which an arrangement was made with the cashier of a bank whereby he was to keep books and receive and disburse funds for a third person. The court held that the cashier was the agent of the person selecting him, and not of the bank, and hence the bank was not liable for the money so received by him outside of the bank which was never in fact paid over to the bank.

In the light of the foregoing, while the delivery of a note in Pennsylvania on Sunday makes the contract unenforceable unless subsequently ratified, I think in the present case it would be held that delivery to the teller away from the bank was not a delivery to the bank, but that he was acting as agent of the makers. And where taken to the bank on Monday by the teller, the renewal notes would be valid and enforceable. Even were the contrary to be held, the original notes for which the renewals were given, would be enforceable.

Defense of Usury

A state bank in Alabama made certain loans to the same borrower, some at a legal and some at an usurious rate, the interest being paid in advance in every case. All the loans were paid, some after the bank had been converted into a national institution, except a note which had been discounted at the highest legal rate of 8 per cent., suit upon which is defended upon the ground of usury in this and other loans. Opinion: The taking of interest in advance at the highest legal rate is not usurious in Alabama and the other usurious transactions cannot be interposed in defence because (1) *under the general doctrine in an action upon a valid obligation, usury in a collateral transaction cannot be shown in defense, and* (2) *under the statute of Alabama usury, if voluntarily paid, cannot be recovered and consequently cannot be set off in an action upon an independent, valid obligation. The fact that certain usurious loans were paid to the bank after it became a national bank does not affect this conclusion for, the interest having been paid in advance, was paid while the bank was a state institution and the Federal statute authorizing recovery from a national bank of double the illegal interest paid would not apply. Even where usurious interest is paid a national bank it cannot be set off in an action for recovery of the loan, but must be sued for independently.*

From Alabama—This bank, after operating as a state bank for sixteen years, was last August converted into a national bank. We have a customer who owed us at the time of our conversion some $8,000 made up of various loans made at different times. On some of these loans we charged more than 8 per cent., the legal rate in this state. On some we charged at the rate of 8 per cent. per annum, the interest being paid in ad-

vance when the loan was made. We have made this party no loans since converting into a national bank. He has paid all his indebtedness except about $1,800, on which we are having to sue him. This $1,800 note is not a renewal of any past due indebtedness, but a direct loan, secured by collateral, and was made to enable him to take up a demand draft B/L attached drawn on him and which we held for collection. On this $1,800 loan we charged him at the rate of 8 per cent. per annum, and he gave us his check for the interest when the loan was made. His lawyer has set up a plea of usury, and we claim there is none. Are we correct? His lawyer has asked us for a statement of all the loans we have made this man over a period of sixteen years as to dates, amounts and interest charged, which information we have refused to give him. Are we right in this? If in your judgment there is usury in this $1,800 transaction, is it possible that this man can go back over a period of sixteen years while we were operating as a state bank and successfully maintain a plea of usury, if at any time in the past we have charged over 8 per cent.?

We have been laboring under the impression that the courts have decided that paying the legal rate of interest in advance or when the loan was made could not be construed as usury.

No plea of usury can be successfully interposed against the bank in its action on the $1,800 note and the bank was right in its refusal to give the attorney for the borrower a statement of the loans it has made to its client for the last sixteen years. This conclusion is not affected by the fact that some of the loans which were usurious were paid to the bank after it became nationalized for, the interest on such loans having been paid in advance to the bank as a state institution, the penalty for usury imposed by the national law would not apply.

In amplification of the above, would say:

1. In Alabama, the legal rate of interest is 8 per cent., and it is lawful in that state to reserve interest in advance upon a short term loan at the highest legal rate without rendering the loan usurious. Lyon *v.* State Bank, 1 Stew. (Ala.) 442; Branch Bank *v.* Strother, 15 Ala. 51; Code of Ala., Sec. 4624.

2. According to the Alabama Usury Statute (Code, Sec. 4623) a usurious loan cannot be enforced except as to the principal and if any interest has been paid the same must be deducted from the principal and judgment rendered for the balance only.

In construing this statute, it was held in Gross *v.* Coffee, 111 Ala. 468, that usurious contracts are not illegal and void in Alabama, but voidable merely at the election of the promisor to avail himself of the defense furnished by statute; and when usury is paid an action of assumpsit cannot be maintained to recover it back in the absence of an express promise to repay or refund it. In the course of the opinion the court said: "Usurious contracts with us are not void. In any event they are perfectly valid and binding so far as the principal is concerned, and are also good, and may even be enforced in our courts as to the interest and usury, unless the payor elects to interpose the defense as to the latter items which the statute furnishes him. . . . And it is not claimed that the legislature has in any manner authorized an action for the recovery of usury paid. So that, if the question were an open one in this court, we should not hesitate to declare that usury voluntarily paid, as it was in the case at bar, if paid at all, cannot be recovered back in an action of assumpsit. The promise to pay it is not illegal and void, but voidable only at the election of the promisor. Not availing himself of the statutory defense, it cannot be said that his act in paying or the promisee's act in receiving usury is illegal. But the question is not an open one in Alabama. It was in substance decided against the right of recovery back in the celebrated case of Jones *v.* Watkins, 1 Stew. 81, and expressly so ruled in the case of Noble *v.* Moses Bros., 74 Ala. 604, 621; and subsequent decisions in this latter case did not overrule the first opinion as to this point." This case was cited with approval on this point in Smith *v.* Yancey, 198 Ala. 221, 73 So. 477.

In the case submitted by you the $1,800 loan was not usurious and was entirely independent of the other loans and the fact that some of such other loans, which have all been paid off, were usurious cannot be interposed as a defense to the $1,800 loan. As shown in the cases cited, where the borrower has voluntarily paid the usury he waives the statutory defense and cannot recover it back. It follows, where no action can be maintained for usury voluntarily paid that a claim of usury cannot be interposed as a defense or set-off in an action on another, independent loan, untainted with usury.

Even were the statute otherwise, the general rule is that in an action upon an obligation valid in itself, defendant will not be allowed to show in defense usury in some collateral transaction. Md. Permanent Land, etc., Soc. *v.* Smith, 41 Md. 516; Murray *v.* Judson, 9 N. Y. 73; Benoist *v.* Solee, 1 Brev. (S. C.) 251.

It follows from the above that the $1,800 loan is enforceable for the full amount, free from any defense of usury, either because the interest was taken out in advance or discounted, or because there was usury in other independent loans which had been paid off.

The fact that the bank was converted into a national institution before all the loans were paid and that some of the usurious loans were paid to the national bank does not affect the above conclusions. Under Section 5198, U. S. Revised Statutes, where usury is paid a national bank the borrower or his legal representatives may bring an action and recover twice the amount of the interest paid provided the action is commenced within two years from the time "the usurious transaction occurred"; that is to say, from the time the interest is actually paid. National Bank of Daingerfield *v.* Ragland, 181 U. S. 45. If the usurious interest is included in a note it is not paid until the note is paid. Second Nat. Bank *v.* Fitzpatrick, 111 Ky. 228. But where the usurious interest has been paid in advance the two-year limitation begins to run when such payment was made and not from the time when the note was paid. McCarthy *v.* First National Bank, 223 U. S. 493.

If in the present case the illegal interest had been included in a note and not paid until the note was paid, the bank would have received payment of the interest as a national bank and would have been subjected to the national usury penalty (see Exeter Nat. Bank *v.* Orchard, 43 Neb. 579), although even then the borrower would be limited to his remedy of a separate

action to recover twice the interest and could not set off the usurious interest in an action by the bank for the principal. Central National Bank *v.* Hazeltine, 155 Mo. 58; aff'd. 183 U. S. 132. But in the present case, as I understand the facts, the interest on such of the loans as were usurious was paid in advance to the bank when it was a state institution, before it was converted, and therefore the penalty of the national statute would not apply.

Responsibility of Bank for Cashier's Error in Recording Mortgage for Customer

The cashier of a bank drew a chattel mortgage in favor of a customer to be executed by another customer, receiving a personal fee therefor, took the acknowledgment as notary, recorded the mortgage, through error, in the wrong county and paid the fee by crediting the amount to the account of the recorder and charging same to the account of the customer. The mortgagee was damaged and sues the bank. Opinion: While a bank is responsible for the acts of an officer within the scope of his employment, the drawing and recording of mortgages for customers is not a banking function and the cashier, in so acting, did so in his personal capacity and not as agent of the bank and the responsibility, if any, rests with him and not with the bank. The fact that the cashier caused the recording fee to be credited to the recorder and charged to the customer would probably not be held to make the bank the customer's agent for recording of the mortgage.

From Colorado—Our cashier, who is also a notary, is in the habit of drawing deeds and mortgages for the convenience of our customers, as we have no attorney in town, making a small charge for the service and retaining it as his individual income.

About a year ago he drew a chattel mortgage in favor of customer "A," which was signed and acknowledged before said notary by customer "B." Customer "B" then requested that the mortgage be recorded in the county recorder's office, said customer and said notary both being at the bank's office at the time, and as such work had always been done gratuitously by our bank the notary sent the mortgage to the recorder for recording by crediting the account of said recorder with the usual fee and charging the amount to the customer, but through an error the mortgage was sent to the wrong county recorder from that in which the chattels were kept, and as consequence a third party who had a judgment against customer "B" filed an attachment on the chattels and customer "A" was compelled to pay off the judgment to protect the chattels on which she had a mortgage.

Customer "A" now brings suit against our bank to recover the amount of the judgment paid off.

Do you consider a bank liable for an error of this nature? It is a fine point, but is there a way to distinguish between the work which a bank officer does as a notary and that which he does as an officer of the bank?

While a bank is responsible for the acts of an officer done within the scope of his employment (Chemical Nat. Bank *v.* Armstrong, 83 Fed. 556; Sherwood *v.* Home Savings Bank, 131 Iowa 528; Robb *v.* Louisville Sav. Bank, 12 Ky. Op. 712; Tarentum Nat. Bank *v.* Pittsburg Equitable Trust Co., 223 Pa. St. 328, 72 Atl. 794), I think it would be held that the preparing of chattel mortgages for customers and the placing of same on record is not a banking function and when done by the cashier, especially where he makes a small charge for his service, which is retained as his individual income, is not an act within the scope of his employment, but is done in his personal capacity.

In Peoples Bank *v.* Bennett, 139 S. W. (Mo.) 219, the cashier of a bank took an acknowledgment of a lease as notary and received a copy to be placed with the papers of the lessor. The court held that in performing these acts he in no sense acted as agent of the bank. In taking the acknowledgment he acted in his official capacity as notary and in receiving the papers he acted prima facie as a mere depositary for lessor's personal convenience.

In the present case the cashier drew a chattel mortgage to be executed by customer "B" in favor of customer "A," for which he was paid a fee, and after taking the acknowledgment of same, as notary, had the same recorded at the request of "B." His act in taking the acknowledgment was in his official capacity as notary, but his act in drawing the mortgage and having same recorded was in his personal capacity and not as agent of the bank. I think, therefore, no liability will attach to the bank for the error in recording the mortgage in the wrong county.

The bank did participate in this transaction, it is true, in paying the fee to the county recorder by crediting his account with the amount and charging the amount to its customer, the mortgagee, but while the bank acted as agent of the customer to the extent of paying the fee, I think it would be held that this was done at the instance or upon the order of the customer's personal agent, the cashier, and would not make the bank the customer's agent for the recording of the mortgage.

If this conclusion be correct, then the bank is not liable; but assuming that the cashier acted as the personal agent of the mortgagee as well as of the mortgagor—although the mortgagor and not the mortgagee requested him to have the mortgage recorded, he acted as agent of the mortgagee when he directed that the fee be paid to the recorder and charged to the mortgagee's account—there might be a personal liability of the cashier for damages sustained by the mortgagee because of the error in recording the mortgage in the wrong county.

Payment by Mortgagor of Recording Tax Plus Maximum Interest Not Usurious

The Michigan statute provides a recording tax and fee upon recording a mortgage and it is the practice of Michigan banks to charge the mortgagor such tax and fee in addition to the maximum legal rate of interest. Question is raised whether this is usurious. Opinion: In view of decisions in other states under similar statutes, which hold that such transaction is not usurious, the Michigan courts would probably likewise hold, although such courts have held under an earlier statute, which imposed an ad valorem tax upon the mortgagee, that the exacting of payment of such tax from the borrower in addition to the maximum interest rate was usury.

From Michigan—We would much appreciate an opinion from you in regard to a practice of a number of neighboring banks. The legal rate in Michigan is 5 per cent. The limit on a contract is 7 per cent. A mortgage tax of fifty cents on each $100 is required to be paid to the state upon recording the mortgage. A recording fee averaging $1.50 per mortgage is paid to the recording officer. The practice is to charge the mortgagor the mortgage tax and recording fee as a part of the deal under the proposition that the mortgagee is entitled to have as his security for the loan a recorded mortgage. Now that the rate of interest has uniformly advanced to 7 per cent. on mortgages, is there any possibility that this payment by the mortgagor of the mortgage tax and recording fee would be deemed usurious? As above noted, this is a common practice of our banks and your opinion would be of wide interest.

Under the former ad valorem method of taxing mortgages, where the obligation to pay the tax upon the mortgage rested upon the lender or mortgagee, the courts in Michigan have held that it is usury to require the borrower to pay the tax in addition to the highest legal rate.

Thus in the case of Vandervelde *v.* Wilson, 176 Mich. 185, 142 N. W. 553, decided by the Supreme Court of Michigan in 1913, it was held that in addition to 7 per cent. provided for in a mortgage it was usury to stipulate that the mortgagor should pay the mortgage tax whether or not the parties actually intended to carry out the contract. And in Green *v.* Grant, 134 Mich. 462, 96 N. W. 583, where the doctrine that it is the essence of an usurious transaction that there shall be an unlawful and corrupt intent on the part of the lender to take illegal interest is approved, it was said: "if at the time the contract was made he knew that the aggregate of interest reserved and taxes to be paid would exceed the statutory rate—as he would, if the interest reserved was the maximum interest—the contract is usurious"; and the court further said: "The payment of the tax relieves the lender from an obligation that clearly rests upon him."

But in 1911 the legislature passed an act changing the method of taxing mortgages from the ad valorem system to a specific one and imposed a tax of 50 cents for each $100 and major fraction thereof of the principal or obligation secured by the mortgage, in addition to the recording fee. 1 Comp. Laws 1915, Sec. 4269. Section 4270 provides that before such a mortgage is received by the register of deeds for recording it shall be presented to the county treasurer, who shall compute and collect the taxes thereon and shall certify on the mortgage the amount secured thereby and the amount of taxes received by him and such certificate shall be recorded by the register of deeds as a part of the record of the mortgage. There seems to be no provision whatever in the act as to who shall pay the tax, the borrower or the lender.

The Michigan courts do not seem to have passed upon the question as to who shall pay the tax; nor upon the question whether if the mortgagor is compelled to pay it in addition to the highest legal rate of interest, the transaction would be usurious. But the courts in other states have under similar statutes for the recording of mortgages held there was no usury. Thus the Supreme Court of Minnesota in Lassman *v.* Jacobson, 125 Minn. 218, 146 N. W. 250, said: "Someone must pay the tax, and unless that is done there is no usable, valid or enforceable mortgage or contract. We therefore conclude that there was no intention to legislate as to who should bear the burden of the mortgage registry tax, a necessary expense connected with the giving of valid real estate security, but the parties are free to contract with reference thereto without thereby affecting the question of usury." Commenting upon the Michigan cases the court said these cases "depended upon statutes which unequivocally imposed the duty upon the lender to pay taxes which by the loan contracted he required the borrower to pay in addition to the highest legal interest; for that reason we do not regard them of great weight as precedents under the reading of our registry law."

The Mortgage Recording Tax Law of New York is similar to the Michigan statutes (Con. Laws, Ch. 60, §§ 253, 257), and in the case of Seamans Bank for Savings *v.* Fell, 166 App. Div. 271, aff'd 221 N. Y. 692, which cited with approval the Minnesota case of Lassman *v.* Jacobson, the court held that the payment of the mortgage recording tax by a mortgagor under an agreement with the mortgagee making such payment a condition of the loan, does not make the mortgage usurious. The court said the statute "indicates a legislative intent to leave the parties themselves to determine by agreement by whom such recording tax shall be paid. An agreement that the same shall be paid by the borrower does not render a mortgage usurious any more than an agreement that the borrower shall pay the expense of searching the title, preparing the mortgage or other necessary expenses actually incurred in good faith in connection therewith." See also Moore *v.* Lindsay, 114 N. Y. Supp. 684; 61 Misc. 176.

In construing an Alabama statute it was held in Robertson Banking Co *v.* Chamberlain, 228 Fed. 500, that notwithstanding the statute imposing a mortgage tax provided that it should be paid for by the lender, yet as it contained nothing to indicate that it was any part of its purpose to deal with the subject of usury, it did not forbid the making of an agreement by the mortgagor to pay such tax.

In view of these decisions it would seem that if the question was considered by the Michigan courts they would hold that the payment by the mortgagor of a recording tax, in addition to the maximum rate of interest, would not be usurious.

Convention Calendar

Date	Association	Place
July 13-14-15	Ohio	Cleveland
July 19-22	Amer. Inst. of Banking,	Minneapolis, Minn.
Aug. 5-6	Montana	Helena
Aug. 24-25	Kentucky	Louisville
Sept. 1	Delaware	Rehoboth
Sept. 9-10	New Mexico	Santa Fe
Sept. 14-15	West Virginia,	Parkersburg
Sept. —	Wyoming	Sheridan
Oct. 3-8	A. B. A.,	Los Angeles, Calif.
Nov. —		Castle Hot Springs, Ariz.

The Convention and Yosemite

The Week in Los Angeles Will Be a Busy One But Not All Business. Pleasant Relaxation is Promised, and Tours May Be Conveniently Arranged After the Convention to Yosemite Valley. Reservations Made Now Will Be Appreciated Later

PRELIMINARY arrangements for the Los Angeles Convention of the American Bankers Association from October 2 to 9, indicate that the 1921 program will be the most important and most interesting ever prepared. International and national leaders have been invited to address the meetings, and solutions will be offered by them for our most pressing problems, banking, business and political.

Current events and their bearing on the future of banking, trade and industry will receive the attention of some of the keenest men of today, and some real and timely messages will be brought to the convention. Foreign trade, domestic industrial conditions, governmental economy plans and other subjects will be analyzed and presented and the suggestions made will probably be reflected in widely separated localities.

Because of the importance of this meeting delegates are urged to let their California hosts know of desired reservations. H. F. Stewart, who is chairman of the Convention Hotel Committee, may be addressed in care of the Merchants National Bank of Los Angeles.

October 2 to 9, inclusive, will be a week covered by an elaborate schedule but not necessarily all business, as the convention city is within striking distance of some of the most entrancing beauty spots of the Golden West.

The sea at Long Beach, unrivaled orange groves, semi-tropical foliage, Santa Monica, Pasadena and many other points of interest will coax the visitor away from his hotel. Los Angeles is famous for her hospitality and there will be no lack of a social program to fully occupy the delegate when he is not attending convention sessions.

Sunny California has been said and written often and there is more than advertising in it. Los Angeles is the motion-picture studio center of the United States and visits may be made to the plants where moving pictures are taken.

To the delegate who plays golf adequate links will be available at various clubs and in bracing California air it is seldom the medicinal game is played. Tennis and boating may be had for the asking and automobile touring in the vicinity of the city is at its best.

Vernal Falls

But to the delegate who is visiting California for the first time Yosemite Valley probably offers one of the big attractions. For the benefit of those who are not taking advantage of the "A" and "B" tours which have been arranged by the New York Central Railroad to include the Park on the return trip from California, the following may be said:

Just overnight from Los Angeles lies Yosemite National Park, about which more has been written perhaps than any other spot in the world. Yosemite Valley especially has been the theme of authors for more than half a century, but Emerson's terse remark still stands as the most complete description on record:

"It is the only spot I have ever found which comes up to the 'brag.'"

So it happens that, regardless of whether visitors have read everything about Yosemite from the time of John Muir down to the last article by Will Irwin or some other "modern" in a certain periodical of more than two million circulation weekly, there is nothing of disappointment in their visit. Yosemite Valley, with its majestic cliffs and stupendous waterfalls, its towering granite domes and blossoming meadows, a veritable exhibition of every form of natural beauty compressed into the narrow confines of a cleft in the mountains, seven miles long and one mile wide, is known throughout the world and he cannot claim to be traveled who has not seen it.

But Yosemite Valley is only a small part of Yosemite National Park. The two have been synonymous in the minds of the public until recent years when improving roads and comfortable motor service enabled the casual visitor to see Glacier Point, the Mariposa and Tuolumme Groves of Big Trees, Hetch Hetchy Valley—which Muir thought should share Yosemite Valley's reputation for beauty—the jagged peaks and sky-blue lakes of the upper reaches of the park, and and setting it aside "for the benefit and enjoyment of the people."

Yosemite's congenial climate makes possible an all-year season which would not be possible at 4,000 feet elevation in other latitudes. Even in midwinter the valley is bathed in sunshine, protected from wind by its precipitous cliffs and radiantly beautiful from the sparkling crispness of the atmosphere. In October—Indian summer, the time best-loved by Californians, who know their Yosemite in all seasons—the park is at its best.

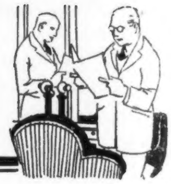
When members of the American Bankers Association are in the west they will find Yosemite in regal garb to greet them. The soft haze of autumn will lend new charm to the stern granite country. Trees and shrubs will be flaming with color and the unafraid deer, squirrel and other park animals, sleek and fat in their new coats, will be seeking low ground for the winter.

Roads to the Mariposa Grove of Big Trees, past the world-famous Artist and Inspiration Points, to Glacier Point, where Overhanging Rock juts out into space with a sheer drop of 3,000 feet below, to Point Patriot, Mirror Lake, Happy Isles, and many other beauty spots which are known by name in every country, will be open and powerful motor stages will be ready to take the bankers and their families through the park, which is loved 'round the world. Convenient schedules from Los Angeles to El Portal will enable the visitors to make a pleasant night trip and have lunch the next day in Yosemite Valley.

The Gateway of Yosemite. El Capitan Stands 3,604 Feet High on the Left, Three Graces Make a Noble Setting for Bridalveil Falls on the Right, and a Bit of the Valley May Be Seen in the Distance

many other spots notable even in such famous company. Altogether Yosemite National Park has an extent of more than 1,100 square miles, or nearly three-quarters of a million acres. In Europe it would be a principality, but in America "they order these things better" by making it the property of the nation

RECENT DECISIONS



THOMAS B. PATON, Jr.
Assistant General Counsel

Stopping Payment of Certified Check—New Jersey

A check given for the purchase price of whiskey, which was never delivered, was certified for the payee, and thereafter the maker notified the bank to stop payment. The bank refused to pay and was sued by the holder. The court held it immaterial that the whiskey was not delivered and that the purported sale was illegal as in violation of the War Prohibition Act. "When a check of a depositor is certified by a bank, at the request of the holder, the obligation of the bank to the holder is the same as if the money called for by the check had been actually paid out by the bank to the holder, redeposited by the latter to his own credit and a certificate of deposit issued to him." The bank is liable. Jones *v.* National Bank of North Hudson, 113 Atl. (N. J.) 702.

Identification of Payee of Draft by Transmitting Telegraph Company—Texas

A telegraph company, through its money transfer department, issued a draft on a Fort Worth bank. The regularly authorized agent of the telegraph company placed on the draft the statement that the payee was identified by her, "that is, that presentation of the draft was sufficient identification." This was in accordance with a regularly established practice of the telegraph company. The draft was presented by a forger to the bank for payment and was paid upon his forged indorsement as payee. The bank sued the telegraph company for reimbursement and the court allowed recovery. "There was no evidence tending to show that the indorsement was not made by the man identified by the agent" of the telegraph company. "No matter if that man was not the man to whom the draft was made payable," the telegraph company was "responsible for identifying him as the man." The negligence of the telegraph company precludes its defense. "No effort was made to safeguard any bank against a forgery. The payee was not required to write his name on the draft so that there might be a comparison of signatures." Mackay Tel.-Cable Co. *v.* Fort Worth Nat. Bank, 230 S. W. (Tex. Civ. App.) 244.

A Purchaser Who Issues a Check Without Sufficient Funds in Payment of Goods Is Not Guilty of Larceny of Such Goods—Indiana

Shipp bought an automobile and paid for it by check, without having funds in the bank sufficient to pay it, "although he hoped to have sufficient funds to meet and pay the check before it was presented" for payment. Shipp borrowed money on the car and executed a chattel mortgage thereon, showing the mortgagee the receipt for payment which the seller had signed. The court held that Shipp was not guilty of larceny, that title to the car vested in him, and that the chattel mortgagee stood in the relation of a purchaser in good faith, free from the claim of the seller. Patterson *v.* Indiana Investment and Securities Co., 131 N. E. (Ind. App.) 19.

Notes on Recent Decisions

REFUSAL by a bank to pay its certified check given for illegal sale of whiskey renders it liable to holder.

A TELEGRAPH company issuing its draft waiving identification of the payee is liable to the bank paying it whether or not the person presenting it was the payee.

A PURCHASER who paid for an automobile with a bad check was held not guilty of larceny. On the contrary, he took good title and could borrow money on the same.

UNDER the Oklahoma law it is a criminal offense for a bank officer to receive a deposit while the bank is insolvent.

A BANK which wrongfully dishonored its customer's checks because of an adverse claim by his wife, marked them "account held." It was held that such notice was immaterial and the bank was liable.

A MICHIGAN statute providing that a deposit "in form to be paid to either or survivor shall become the property of such persons as joint tenants" is valid and such form is presumptive evidence of such title.

IT has been held larceny where a person knowingly takes a check for a larger amount than due.

A DEPOSIT slip is nothing more than a receipt and is open to explanation.

INTERIM certificates payable in Liberty Bonds which are not negotiable under the Negotiable Instruments Act are held negotiable under the Act of Congress.

THE Federal Inheritance Tax Law has been declared valid.

IF a depositor is guilty of negligence in delaying seven days before reporting a forgery, the bank might be prejudiced by being prevented from taking steps by the arrest of the forger or by attachment of his property or other form of proceeding to compel restitution.

Receiving Deposit While Bank Insolvent—Oklahoma

Under the Oklahoma statutes making it a criminal offense for a bank officer to take part in the receipt of money on deposit by the bank, while he knows it to be insolvent, and rendering bank officers liable for all damages flowing from a violation of law by them, an officer who participates in such receipt is liable for the resulting damages to the depositor. In this connection, "when a depositor is in the act of drawing his funds from a bank but he is induced by false representations by an official of the bank to permit such deposits to remain in the bank and to accept time certificates of deposit therefor, it is equivalent to such bank receiving on deposit such money." Hughes *v.* Martin, 196 Pac. (Okla.) 951.

Damages from Dishonor—New York

Because the wife of a depositor claimed that she was entitled to a half interest in his bank account, the bank dishonored his checks without any warning to him. The holders of the checks were notified that the account was closed, although the cashier aserts that his instructions were to mark them "account held." The wife's claim was withdrawn and the depositor, a merchant, sued the bank for injury to his credit. It was held error for the trial judge to rule that there could be no recovery in excess of nominal damages. The question of damages was one for the jury. "The dishonor of the check was admittedly a wrong. . . . The wrong, if willful, charged the bank with liability for the consequences. In many jurisdictions the liability is the same whether the wrong is willful or merely heedless. Wiley *v.* Bunker Hill Nat. Bank, 183 Mass. 495, 67 N. E. 655; Third Nat. Bank of St. Louis *v.* Ober, 178 Fed. 678; Schaffner *v.* Ehrman, 139 Ill. 109, 28 N. E. 917; 15 L. R. A. 134; 32 Am. St. Rep. 192; Fleming *v.* Bank of New Zealand, 1900, A. C. 577, 587; 2 Michie on Banks and Banking, 1162, and cases there collated. In this state

the liability is for nominal damages and no more, if the dishonor of the checks is the result of innocent mistake. . . . Sometimes we are told that, to permit the recovery of substantial damages, the wrong must be malicious. This does not mean, however, that it must be the product of hatred or malevolence. It is the exclusion of liability for the consequences of accident or mistake. . . . We find nothing of accident or mistake in the defendant's dishonor of these checks. It dishonored them with full knowledge of the state of the account, setting one risk against another, the risk of adverse claims against the risk of broken contracts." That the notice of dishonor was in different form than the cashier directed is immaterial. The bank's "duty was to see that the instructions were obeyed." "The plaintiff was a trader. Some injury to credit may therefore be inferred." Wildenverger *v.* Ridgewood Nat. Bank, 130 N. E. (N. Y.) 600

Joint Accounts—Michigan

A depositor wrote to his bank: "I wish my account in your bank to be placed in the joint names of myself and my wife, Anna Taylor, and hereby authorize you to make proper entries in your bank to accomplish said purpose." The account at the death of the husband appeared on the books of the bank as follows: "James C. Taylor and Anna G. Taylor (wife) joint account to be paid to either or the survivor of them, Sec. 3—Act 248-1909." The statute so referred to provides that a deposit "in form to be paid to either or the survivor of them . . . shall become the property of such persons as joint tenants, and the same . . . may be paid to either during the lifetime of both, or to the survivor." The court said, "the section is a valid one, and . . . in the absence of competent evidence to the contrary the presumption created by it is sufficient to establish the title to the deposit in the survivor." Parol evidence of other instructions from the depositor to the bank concerning the change in the form was held admissible. Such evidence to the effect that he wanted his wife to have the deposit at his death "confirmed the presumption of the statute and being undisputed, made the question one of law for the court." The wife was entitled to the deposit. In re Taylor's Est., 182 N. W. (Mich.) 101.

Larceny by Taking Check for Larger Amount Than Due—Texas

If accused "received the check in question, knowing at the time that it represented a larger amount than was due him, and intended at the time of its reception to appropriate to his own use such amount as might be in excess of what was his, and did so appropriate it, his action would be theft." This decision is reached under Texas Penal Code Art. 1332. Hedge *v.* State, 229 S. W. (Tex Cr. App.) 862.

Conclusiveness of Deposit Slip—Oklahoma

Plaintiff sued on the following deposit slip: "Deposited with the Hugo National Bank by ———, for Mrs. J. S. Hastings . . . checks as follows: Ten thousand dollars . . ." The court held it a defense that the deposit slip was made at the direction of Mr. Hastings in order to evade payment of taxes and not with the intent to vest the title to the $10,000 in his wife, which purpose was known to the wife and that all the fund had been checked out by the husband and wife after its retransfer on the books of the bank to the husband. The court quoted an earlier case to the effect that "a deposit slip issued by a bank is but prima facie evidence that the bank received the amount of the deposit on the date shown by the deposit slip. It has the same force and effect as that of any other form or receipt, and is open to explanation as to the conditions surrounding the deposit and the circumstances under which it was given may be inquired into." Hastings *v.* Hugo Nat. Bank, 197 Pac. (Okla.) 457.

Negotiability of Interim Certificates for Liberty Bonds—Missouri

Interim certificates for Liberty bonds were stolen and sold to the Security National Bank, which sued to enjoin the Federal Reserve Bank of St. Louis, which issued the certificates, from delivering to the People's Bank of Sullivan, from which the certificates were stolen, the bonds called for by the certificates. The rights of the parties depend upon whether or not the certificates are negotiable. "Congress has full power . . . to issue . . . bonds, notes or other obligations of the government, which shall pass from hand to hand and be negotiable. . . . Whether such interim certificates should be issued and the character thereof as to being negotiable or otherwise . . . was an administrative matter, proper to be vested in the discretion of the Secretary of the Treasury. . . . The act of Congress of April 24, 1917, providing for the issue of the Liberty bonds in question, provided that such bonds should be 'in such form and subject to such terms and conditions of issue, conversion, redemption . . . as the Secretary of the Treasury may prescribe.' . . . This provision gave the Secretary of the Treasury power, as one of the terms and conditions subject to which he might issue said bonds, to first issue negotiable interim certificates therefor." In answer to the objection that the interim certificates did not comply with the requirements of the common law and the Negotiable Instruments Act that in order to be negotiable an instrument must be payable in money, not in Liberty bonds, and at a certain time, not at the uncertain time when the Liberty bonds should be prepared and the certificates surrendered, the court held that no "other law save the acts of Congress had any bearing upon the authority or functions of any department or instrumentality of the Federal government. . . . The only pertinent inquiry is, Did the government of the United States, through the language used by its Secretary of the Treasury, intend to make them negotiable? . . . Such certificates expressly provide that 'Upon surrender of this interim certificate the *bearer* hereof will be entitled to receive, when prepared, definitive bonds. . . . This certificate, and all rights under and by virtue hereof, shall pass by delivery.' Also, that 'there must be no writing on this certificate until it is presented for exchange for bonds.' . . . Nothing could be clearer than that they were intended to be, and therefore they were negotiable instruments." As the Security National Bank was found to be the purchaser for value in due course, without notice of any defect in the title of the seller, it was held entitled to receive the Liberty bonds called for by the interim certificates. Security Nat. Bank *v.* People's Bank of Sullivan, 230 S. W. (Mo.) 87.

Federal Inheritance Tax Law Valid—United States

The Supreme Court of the United States has held the Federal Inheritance Law valid. It overruled the contention that while a Federal legacy tax could be exacted, "this tax is cast upon a transfer while it is being effectuated by the state itself and therefore is an intrusion upon its processes, whereas a legacy tax is not imposed until the process is complete."

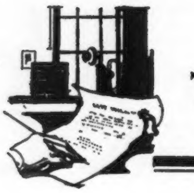
An estate tax is not a direct tax, but a duty or excise, and hence when imposed by the Federal government need not be apportioned among the states according to population.

The inequalities in the tax, whether the person die intestate or leave a will, do not avoid the statute.

"Charges against the estate," which may be deducted in ascertaining the Federal estate tax, "do not include taxes on the rights of individual beneficiaries," as contrasted with estate taxes. New York Trust Co. *v.* Eisner, 41 Sup. Ct. Rep. 506.

Right of Drawee Bank Paying Forged Check to Charge Drawer's Account—Arkansas

A drawee bank may not charge a payment made upon a forged check to the depositor's account unless the latter is precluded from setting up the forgery. A depositor must use due diligence not only in giving the bank notice but also in discovering the forgery. In this case the depositor delayed seven days. Failure to complain after a reasonable time after the checks have been returned by the bank gives the bank the right to consider that there has been a virtual admission of the items charged. What was a reasonable time as applied to the particular case was held a question for the jury. As against the contention that the bank was not prejudiced by the delay the court held that if the depositor was guilty of negligence the bank might be prejudiced by being "prevented from taking steps by the arrest of the criminal or by attachment of his property or any other form of proceedings to compel restitution." Bank of Black Rock *v.* B. Johnson & Son Tie Co. 229 S. W. (Ark.) 1.



TRUST COMPANY DIVISION

Selling Trust Department Service

Extracts from an address by Leroy A. Mershon before the Financial Advertisers' Association Convention, Atlanta. Georgia, June 13, 1921.

AT a meeting of the Executive Committee of the Trust Company Division, American Bankers Association, held in New York City on December 5, 1916, the subject of extending trust company service was introduced, discussed and the creation of a committee on publicity authorized. Shortly thereafter, the committee began its work of serving members in the development of their business building efforts along the most approved lines.

At the twenty-fourth annual meeting of the Trust Company Division, held in the city of St. Louis, September, 1919, the man who had organized the Division in 1896 addressed the meeting upon the great need for education propaganda in order to bring to the public mind the desirability of naming corporate fiduciaries as protectors and conservers of private wealth. The gentleman referred to is Mr. Breckinridge Jones, president Mississippi Valley Trust Company, St. Louis, and affectionately referred to as the "Father of the Trust Company Division." At the meeting of the Executive Committee of the Division, following the St. Louis Convention, the question of acting upon the recommendation of Mr. Jones was discussed and a resolution adopted requesting the Committee on Publicity to plan and proceed with a national publicity campaign. The plan of the committee was presented to members of the Division at the first midwinter conference of trust companies, held in New York City, February, 1920, and unanimously approved by that meeting. The first general communication setting forth the features of the campaign was sent to members in March, 1920.

As a result of the initial and subsequent letters and follow-up work, nearly 700 trust companies joined in this first movement of national scope in order to sell the idea of corporate fiduciary service.

More time elapsed than was anticipated in the detailed preparations. The first advertisement entitled "The Business Side of Happy New Year" appeared in the January, 1921, issues of the *Quality Group, Cosmopolitan, System* and *Outlook*. The timeliness of the subject matter, including the title, was an outstanding feature of this advertisement. Each succeeding month has seen a new advertisement in these media, although the American magazine was added to the list starting in February. The second advertisement was entitled "Making Money and Making Family Provision"; the third, "Husbands, Wives and Wills." The fourth advertisement was illustrated by showing a copy of the basic booklet, while in the fifth advertisement certain pages of the booklet formed the illustration and basis for the subject matter. The sixth advertisement, now appearing, is entitled: "A Modern Way to Financial Security," and its appeal is to safeguard money and property through the creation of a living or voluntary trust.

The basic booklet, containing twenty-four pages, is entitled "Safeguarding Your Family's Future." Accepting the word "family" in its broadest sense, the title of the booklet conveys a clear thought of the subject matter. The "safeguarding," as explained in the booklet, is accomplished through the creation of a will or so-called "living" trust or both. In the closing pages, entitled "The Duty of Today," it is stated: "These are matters not of tomorrow, but of today," thus making the appeal for prompt action an outstanding feature. At the close of each advertisement the reader is invited to apply to his local trust company for a copy of the booklet or send to the Trust Company Division, American Bankers Association, 5 Nassau Street, New York City.

The helps and suggestions issued to subscribers are in the form of bulletins, published and distributed each month. Copies of the basic booklet are also supplied to subscribers. In the six bulletins issued thus far, the following matter was published:

The first bulletin contains a letter by the chairman of the committee. It emphasizes the importance of each officer and employee being fully informed regarding the campaign and ready to reply to inquiries or direct them to the Trust Department in order that their questions may be properly answered or their needs supplied. To reach the fullest success in this campaign each trust company must have its "house in order" and be in readiness to properly receive and inform inquirers. No feature could be more important than this one. At the New York office, and in travels throughout the country, attention is constantly drawn to examples of failure to function properly when meeting customers or prospective customers. One example from many will suffice—in a certain large eastern institution, a customer, after being notified of his interest credit, called at the Banking Department and asked if an error had not been made in crediting the interest on his account for the period just closed. His account was a substantial one and he was in the habit of calculating the interest very carefully. The manner and the matter of the reply which he received caused him to withdraw his account. He next proceeded to his lawyer and had the name of the institution in question stricken from his will and a new one written therein. The estate is a large one. When we reflect upon this and similar cases, the importance of having the office "house in order" becomes of deeper significance. Of all the factors in building trust business, none is so important as the one which assures a crystallization of business after the fiduciary is once named.

Following the publication of the chairman's letter in the first bulletin, came a reproduction of the advertisement appearing in the national media and six pieces of copy coordinating in thought with the national advertisement and prepared for the use of subscribers in their local newspapers. Single copies of the national advertisement were also enclosed in the bulletin in order that they could be displayed in the offices of subscribers and thus act as an additional approach to persons having business with these companies. Brief form letters suggested for use by subscribing companies were also published. The first form invited attention to the advertisement appearing in the national magazines and stated that a copy of the booklet mentioned in the advertisement could be secured at the office of the trust company writing the letter. Follow-up letters were also included and suggestions made respecting their use. A "special note" following these forms reads as follows:

"If no response is received it is not advocated that a further follow-up be inaugurated at this time, as subsequent advertisements and suggestions to be sent to you, pertaining to the campaign, will enable you to renew the approach and stimulate the interest of persons addressed. The matter of a personal call should be determined by local conditions and acquaintance with the particular person or persons whose business is being sought."

The purpose of this note was to caution against overworking the follow-up. No business is as sensitive as trust business and a failure to observe the laws of psychology pertaining thereto means failure to secure the business. To renew, or make new again, an old approach to a prospect for trust business, it is oftentimes essential and absolutely necessary to restimulate the interest. This is done either through the matter used in the approach or the manner in which it is done, or both. With this in mind the full import of the caution against an unwise follow-up becomes clear.

Long years ago, the Prophet Isaiah, in writing upon faithfulness to the cause

he championed, promised the adherents to his belief that "they shall mount up with wings as eagles; they shall run, and not be weary; and they shall walk and not faint." That is an absolutely climactic statement and its principles are directly applicable to the securing of trust business today. Frequently in discussing with officers of fiduciary institutions their methods of approach to prospective customers, they state—Yes, we put on a little campaign last year or last month to get some trust business. The replies to the question as to results are almost invariably the same. Little or no business was secured. And it is not to be wondered at. "Putting on a little campaign" to secure trust business never has and never will bring results. It is contrary to the laws of psychology. Returning for a moment to the words of the prophet, it is a fine thing to get a great vision and "mount up with wings as eagles." It is also fine to keep our first vision fully alive as we get down to earth and are able to "run and not be weary." It is the finest thing to stay in the race, through the day in and day out, plodding and planning and keeping our vision and goal ever in sight and to realize our dream in that we "shall walk and not faint." There is no short road to success in securing trust business. On both sides of the road, however, there are many pleasant stopping places and ones of intense interest where great good may be done.

In order to convey to you how deeply interesting and human is this work, a few questions from letters received from individuals will be given.

From the far west, a woman wrote that she was interested in the series of advertisements and requested a copy of the booklet. She stated that she had no children, that her husband was in active business with a partner whose methods were very careless. "My husband," she stated, "believes his partner is true blue, but I do not, as he has done many things that were not honest and businesslike. These things bother me and I have talked with my husband about making a will, but it has not been done. I wonder if the American Bankers Association could be of any help to me. If my husband should die suddenly, I won't know which way to turn as far as the business is concerned."

Another woman wrote: "I wonder if you can be of help to me if I explain what I want. My husband is in business. Some of our land is in my husband's name, some in mine. We owe for both the land and cattle. What I want is to have our property so arranged that no difference would be made by the sudden death of either my husband or myself, the other could carry on the business without the expense of legal formalities. My husband has not made a will, we have two young children. I would like it so arranged that there would not even be the expense of probating a will."

From the foregoing examples it is clear to all of us that the business of inviting, accepting and properly managing individual trusts is far reaching —human—sacred. Only the highest type of man or woman should be entrusted with these tasks. The very highest type of men and women are now engaged in this work. But they are not enough. The trust business of this country has only begun. There is no institution in America today, either religious or secular, that stands in a more commanding position of usefulness than the one clothed with power to transact a fiduciary business. The civilization of the future is largely in its hands. The organized church of today may lie impotent at the feet of a great world task but the record of work well done and the readiness and ability to serve to the uttermost is the proud possession of the fiduciary institutions of the United States and this great task it is our privilege to promote.

Countless thousands are waiting to be benefited by the service of your institutions, which they do not know about. Thousands more will be glad in the days to come that you published the advertisement, or wrote the letter, or spoke the word which brought them under your protective care. Following the time when they have accompanied a loved one over the top at the "zero hour" and said a last farewell as he or she has "gone west," they will come broken in spirit and dazed in mind, and place every belief in your judgment and ability to protect and conserve their earthly possessions. It is the great opportunity of your institution to serve.

Ambassador Hotel Trust Company Division Headquarters at Los Angeles Convention

The attention of all members of the Trust Company Division is invited to a change effected in arrangements for headquarters and meetings of the Trust Company Division at the American Bankers Association Convention at Los Angeles in October. Instead of the Hotel Clark, as originally announced, the Hotel Ambassador will be used by the Trust Company Division. This change is effected for the purpose of relieving the congestion in the hotels in the center of the city. All trust company delegates and guests are, therefore, invited to specify the Ambassador in writing for reservations. The Ambassador is a new hotel and all of the appointments are first-class in every respect. Although removed from the center of the city, no inconvenience should result to those stopping at the Ambassador in attending the general meetings of the Association or Sections and Divisions, as all meeting places are easily accessible by surface car or auto within a few minutes.

Francis H. Sisson Honored

An honorary degree of LL.D. was conferred by Knox College, Galesburg, Ill., at its eighty-fourth commencement on June 14, upon Francis Hinckley Sisson, vice-president Guaranty Trust Company of New York, and chairman of several important committees of the American Bankers Association.

In making the presentation, Dean Simons said: "One of the Knox men who are filling places of influence in the national metropolis; vice-president of the Guaranty Trust Company, whose judgment on industrial and commercial problems is accepted as authoritative by financiers; conspicuous in the training of youth for citizenship and the development of college men for responsible positions in the business world."

President McConaughy, in conferring the degree, characterized Mr. Sisson as follows: "The task of a twentieth century banker differs widely from that of yesterday. The financial leader of today must interpret conditions to the business men of the country, must be a leader in matters of public finance, and must be able to command large public confidence. In this service you have gained well-merited distinction. As vice-president of one of the greatest banking institutions in the country, you have won praise for your business ability. You have rendered large service through public speech and through leadership in the science of finance. To your many ties with Knox we today add this honorary degree. By virtue of the authority vested in me by the Board of Trustees, and at their direction, I hereby confer upon you the honorary degree of doctor of laws and admit you to all the privileges, honors and dignities which here and elsewhere pertain to that degree."

Bank Publicity and How to Secure It

Extracts from an address by Edward H. Kittredge, publicity manager Old Colony Trust Company, Boston, at the Convention of the New England Bankers Association at Swampscott, Massachusetts, on Saturday, June 11, 1921.

The time has long past, *never to return, I hope,* when bank officials were notoriously inaccessible to the community which they were supposed to serve.

Cordiality and cooperation, which together spell the word "Service," constitute the keynote of modern, progressive banking. This does not apply in any sense solely to the large bank, but is equally essential to the growth of the small institution, however localized its activities may be.

The chief function of banking publicity is to build business for the bank that undertakes it, and the most effective way of building business is to "sell" the bank's service to all who can use them.

In principle, the form of an effective financial advertisement is no different from that of a commercial advertisement. In either case there is a message to tell, and the way it is told is governed for the most part by the nature of the message and the character of the audience to which it is addressed.

The four generally accepted essentials of a good advertisement are:

1. That it should attract attention.
2. That it should arouse the interest of those whom you desire to interest out of those who see it.

Continued on page 36

CLEARING HOUSE SECTION

Clearing House Examiner System

One of the most valuable functions of the clearing house which has been in operation in several of the cities for some little time is that of conducting through its managing committee rigid examinations of the members and clearing banks (the banks receiving the privileges through the agency of some member). Federal and state bank examiners render most valuable service, but under the customs and laws they have little power that is of a remedial character. It is their duty to see that every bank which they examine is conducted according to law; that its capital is unimpaired; that the books, records and accounts are properly kept and that the reports made to the Comptroller or Banking Department are correct. They must confine their criticisms practically to infractions of the law, and offenses must reach the stage of capital impairment or insolvency before official action can be taken. At this stage the remedy is an assessment against the shareholders, in some form or other, or forced liquidation. Bank examiners cannot prevent bank failures, but their visits and the police power with which they are clothed are valuable influences in keeping banks in good condition. Some factor is needed, however, which will restrain, repair and correct minor irregularities and unsound conditions before they develop into the most dangerous stages. The examination department of the clearing house is such a factor. This department is under the supervision of a managing committee, usually known as the Clearing House Committee. This committee is generally elected annually from among the active officers of the member banks, and is authorized by rule to employ competent examiners and assistants, who in turn are empowered under the direction of the Clearing House Committee, to make examination at will of all banks having the privileges of the clearing house. Careful consideration is given to the selection of the examiner and assistants. The success of the plan depends to a large measure upon the competency, faithfulness and fidelity of these men. They are generally required to sign an agreement not to engage in the business of banking or enter the employ of any institution under their jurisdiction within a period of three or five years after leaving the employ of the clearing house.

Clearing House examinations include, in addition to verification of the assets and liabilities of the bank, a thorough examination into the workings of every department. They are not intended to be a careful audit of all the accounts. That is left to the bank's own auditor and to special auditors who are called in from time to time. Following each examination a duplicate detailed report is made, giving a description of the loans, bonds, investments and other assets. This report shows, under a special schedule, loans both direct and indirect, to officers, directors and other employees, as well as to firms and corporations in which they may be interested. It further covers the conditions that are found in every department of the bank. One copy of this detailed report is filed at the clearing house, and is open to the examiner and manager only, except in special instances where it is necessary that it be brought before the Clearing House Committee. The other copy is filed with the president of the bank examined, and the directors are notified and requested to call at the office of the president and inspect the report. The examiner requires an acknowledgment of this notice from each director, with a promise on the part of the director to call and go over the report. This encourages closer attention to the bank's affairs, and makes certain that every director has opportunity of knowing the bank's true condition. A skeleton of this report, setting forth in a general way the character of the bank's assets, and giving a list of the loans to employees, officers and directors, and to firms and corporations in which they may be interested, also giving a special schedule of all of the excessive and important loans, and making mention of the irregularities, bad conditions and dangerous tendencies and practices that exist in the institution, is brought before the Clearing House Committee by the examiner. The Clearing House Committee goes over the report carefully and considers fully the examiner's views and recommendations. Then the committee calls in the managing officer of the bank examined, and gives him the benefit of its views, and makes such suggestions as may seem expedient. The advice of the committee is generally heeded, and whatever the trouble may be, it is caused to be corrected.

No law nor plan of bank examination can be devised which will prevent bank failures. This is because human judgment is not perfect, and the making of loans and investments depends upon human judgment; but greater care will be exercised by every banker in making his loans and investments if he knows they are to be subjected to rigid inspection and criticism by a competent committee of well-trained and well-informed bankers. The managing officers of every bank that is subject to clearing house examinations will use their best efforts to the end that their institution shall be kept in such shape as will invoke compliments rather than criticisms from the committee. Pride and conscience are the two most potent factors in keeping bankers and business men within the bounds of law and reason. These, coupled with fear of detection and exposure, far outweigh the penalties that are fixed by law. The installation of the first clearing house examination department was precipitated by a failure involving many millions of dollars, and most bankers who are acquainted with the facts believe that failure would have been averted had the bank been subject to clearing house examinations. Through the guidance and advice of the Clearing House Committee many bad situations, which would have developed into failures, have been worked out in cities where clearing house examination departments are maintained. In some instances bank presidents have been requested to resign and dispose of their holdings in order that their respective banks might be freed from their influence, incompetency and bad judgment.

The clearing house examiner usually keeps a card index of all loans of importance, and can tell closely as to what is the total of the obligations of any individual, firm or corporation to the banks under his jurisdiction. This is valuable information, and is not obtained by state or Federal examiners. Where the aggregate of the borrowings of any firm, individual or corporation is in excess of what, in the judgment of the examiner and Clearing House Committee, such firm, individual or corporation is entitled to receive, the banks interested are so advised, and are thus given opportunity to call upon the borrower to reduce the obligations to a safe basis. Many concerns are headed off in this way, which if permitted to expand further would be the victims of certain ruin, and would inflict heavy losses upon the banks involved. Clearing house examinations are a tremendous factor in encouraging careful, conservative and sound banking. Many improvements in the systems and methods of the various departments of banks are brought about through their influence. They hinder the development of illegitimate schemes, and make the financing of legitimate business easier and more certain. They have been characterized by a comptroller of the currency as being infinitely superior to state and Federal examinations.

The clearing house in cities having a sufficient number of banks to justify the maintenance of examination departments will not measure up to the standard of responsibility they owe to their respective communities if they do not investigate the clearing house examination plan with a view of instituting such departments. The expense of maintenance is comparatively small and the benefits are many.

The expenses of this department should be defrayed out of a fund arising from an annual fee charged against each bank subject to examination and from special assessments based on total assets.

Advantages the Acceptance Offers to the Banker

The use of trade acceptances makes it possible for banks to finance legitimate business transactions with greater safety and convenience.

Trade Acceptance a Most Liquid Investment

"Banking experience for many years has demonstrated that purely commercial loans are the safest of all temporary investments." The two name commercial credit, that is, trade acceptance, is one of the most liquid and satisfactory forms. The credit represented by a trade acceptance with two or more names gives evidence that the buyer is prepared to meet his obligation at a certain definite time and is adopting the most approved and economical way of transacting business.

It is a fact that "under the banking systems of no other country in the world, where credit forms a basis of currency, is single name paper acceptable to banks of issue, while on the other hand two name, self-liquidating trade paper is universally required, and the Bank of France requires at least three names."

More Acceptable Form of Investment

In lending on single name paper the banker is loaning really against mixed security, i. e., goods already sold (represented by accounts or bills receivable) and goods in stock not yet sold; also plant and good will are thought of as back of it; and, therefore, the trade acceptance is a more acceptable form of investment, as it represents sales actually made, and carries two names instead of one as security.

Banks could better purchase trade acceptances which are based on definite transactions, the details of which can be easily ascertained, than commercial paper which is offered in the open market and about which they often have limited knowledge.

It is generally recognized that the best investment of a bank's resources is in the purchase of paper representing sales of commodities or merchandise actually made, payment for which is to be made in the future, and as a basis proposition such paper is entitled to a lower rate of discount than a loan based on raw materials or merchandise not yet sold, which may be destroyed or affected by age, or remain unsold.

Added Security

The bank which purchases a trade acceptance instead of single name paper of its depositors has the security upon which the single name paper would be based and also the added security represented by the name of the acceptor, and from systematically buying trade acceptances will form a very good judgment as to both the maker's and acceptor's credit standing and will have better knowledge of a borrower's financial position.

Advantages in Using Trade Acceptances

Many state banks and, under Section 5200 of the National Bank Act, all national banks, are limited in their loans to any single borrower to 10 per cent. of their capital and surplus, which in many cases obliges the large borrower to go outside of his own city for part of his loans, thus preventing his local bank from using funds in what, in many cases, would be most desirable loans. This, however, could be overcome if the borrower held trade acceptances of his customers, because his bank could discount these without regard to the 10 per cent. limitation, under the terms of the statute, which provides that the discount of "bills of exchange drawn in good faith against actually existing values, and the discount of commercial or business paper actually owned by the person negotiating the sale," shall not be considered as money borrowed, and this procedure would also have the advantage of leaving the bank with a class of paper which it could in turn rediscount with its Federal reserve bank without regard to the further limitation contained in Section 13 of the Federal Reserve Act.

An increasingly popular form of credit

The *trade acceptance* is destined to become a very popular form of credit because it is "two-name" paper which enjoys a preferential rate of discount and has many other advantages that come from converting book credits into live, liquid negotiable paper.

The First National would be glad to give you full information on trade acceptances.

Of Benefit to Local Community

Where banking facilities are limited, local manufacturers and jobbers have sometimes been restricted in the development of their business either by inability to secure sufficient working capital or in some cases by the high rates of interest exacted by the local banks, and the use of trade acceptances, while enabling the banks to employ their resources safely, would permit them to encourage the local manufacturers and jobbers in the safe and reasonable expansion of their business, thus directly aiding in the development of the business of their locality.

It is admitted by bankers that if the trade acceptance plan is adopted there will be a tendency among banks toward making a somewhat lower rate when they purchase or discount these acceptances than they now do in the purchase of single name paper, but admitting that banks may have to loan on acceptances at lower rates than on single name paper, their net earnings should in the end be larger, or at least more regular and more to be depended upon, with less loss.

Those banks which are striving to better serve their commercial depositors should certainly encourage the use of trade acceptances, as their use gives a banker a line on his customers as to whether the people to whom the customer sells pay promptly and also whether they pay their own bills promptly.

Many banks are putting forth every effort to encourage the use of trade acceptances by their customers. The accompanying illustration will show what one progressive bank is doing. We believe if every institution would do likewise that it would not be long until this method of education would begin to bear fruit. Too much thought cannot be given this subject by all bankers. Two of the fundamentals which every banker should be familiar with are where the acceptance is payable and when it is payable, which is simply carrying out the instructions as printed on the face of the instrument.

At the annual meeting of the Anglo-California Trust Co., San Francisco, Calif., the outgoing directors were all reelected by the stockholders, as follows: George I. Cochran, Herbert Fleishhacker, Mortimer Fleishhacker, Mark L. Gerstle, Chas. F. Leege, Gavin McNab, J. J. Mack, Chas. C. Moore, Warren R. Porter, Wm. B. Reis, Adolfo Stahl, Louis Sutter, T. C. Tilden, James Tyson, Philipp Zimmermann. At the directors' meeting the outgoing officers were reelected and five important promotions were made by the election of Louis Sutter and R. D. Brigham to the vice-presidency, Fred. V. Vollmer to secretary, Grant Cordrey and Walter Graf to assistant cashiers of the company. Mr. Sutter has been in the service of the Anglo-California Trust Co. and its predecessors for nineteen years and he has held the position of cashier, secretary and treasurer. His new title will be vice-president and cashier.

SAVINGS BANK DIVISION

Banks to Report on Savings

THE calls of June 30 by the United States Comptroller of the Currency and the authorities in a score of states included for the first time questions as to number and amount of savings deposits and the rate thereon, savings accounts being specified by the Comptroller to include those under the pass-book system and on which at least thirty days' notice of withdrawal might be required.

We commend Comptroller Crissinger for taking the lead on behalf of the national banks. Bankers are our most frequent inquirers for data of this kind and the new questions seem to be justifiable for that reason. "Such facts," writes Dr. Charles J. Bullock, chairman of the Harvard Committee on Economic Research, "about the movement of savings are an essential part of the data needed for the study of finance and business conditions of the United States."

Important as is this accomplishment, the Savings Bank Division will continue its effort to obtain uniform definition and reports on savings deposits in all states. Not until this is accomplished can we report on national savings and until then all statements will continue to be mere guesses.

School Savings, 1920-1921

Over 400 cities and towns will be included in our next annual report on school savings banking systems. This is twice the number reporting or in operation one year ago.

Data is now being received and the statistical table will be ready next month.

Convention, Los Angeles

Every savings banker will be able to learn something.

A national conference of savings bankers for discussing such present problems as appraisals for mortgage loans and savings bank advertising will be held on the morning of Monday, October 3.

Savings bank methods and rules under the mutual, departmental and other plans will be discussed by experts on October 4 and 6.

President Sadd expects this meeting to be a powerful stimulant of thrift and saving and savings deposits.

Vice-President Frazier is chairman of the Program Committee.

Postal Savings Deposits

Total deposits in the United States Postal Savings System on May 31 approximated $155,500,000.

Trend of Savings Business

A savings banker in the Chicago Federal Reserve District has noted a small tendency of savings deposits to decrease for reasons which he lists in order of importance as being (a) purchase or construction of homes, (b) investment in higher yield securities, (c) unemployment.

The Federal Reserve Bank of Chicago has just compiled the following data as of May 31 on the number of savings accounts and the percentage of change from a year ago and from last January:

Location	Banks	Number May 31, '21	Change from Jan. 3, '21	Change from May 31, '20
Chicago	29	919,671	+ 2.6%	+ 8.9%
Illinois	35	933,019	+ 2.7%	+ 9.1%
Ind'nap's	1	39,010	+ 3.0%	+ 3.2%
Indiana	11	121,368	+ 8.4%	+ 9.3%
Davenp't	4	32,911	— 1.9%	— 1.7%
Des M'nes	5	30,307	—13.0%	—30.1%
Iowa	13	89,189	— 5.0%	+10.2%
Detroit	7	416,790	— 2.2%	+ 1.6%
G'd R'pids	5	63,167	+ 5.3%	+15.8%
Michigan	15	510,460	— 2.1%	— 0.9%
Milwaukee	6	120,136	+ 2.6%	+19.9%
Wisc'sin	11	130,756	+ 1.9%	+18.3%

The above-mentioned accounts changed in their totals from a year previously and from last January as follows:

Location	Banks	Amount May 31, '21	Change from Jan. 3, '21	Change from May 31, 20
Chicago	29	$319,513,038	—1.4%	+10.6%
Illinois	35	323,550,347	—1.5%	+10.5%
Ind'nap's	1	5,161,224	—3.9%	+ 4.9%
Indiana	11	30,705,656	—1.4%	+ 8.1%
Davenp't	4	25,312,794	+0.7%	— 0.4%
Des M'nes	5	9,156,989	+4.2%	+ 3.9%
Iowa	13	43,135,158	+0.1%	— 0.9%
Detroit	7	127,664,708	—7.7%	— 8.7%
G'd R'pids	5	14,772,848	+1.0%	+16.6%
Michigan	15	151,469,408	—7.0%	— 7.3%
Milwaukee	6	35,158,974	—4.2%	+ 8.1%
Wisc'sin	11	36,793,907	—4.7%	+ 6.9%

Savings Bank Advertising

We have an ambitious plan for an A. B. A. information service to stimulate, encourage and improve as well as to make profitable the advertising and publicity by member banks who seek savings deposits.

This will result in suggestions and information only. It is expected to create a demand for more and better bank advertising. We will not pretend to offer something for nothing, or to displace the experts or to compete with service companies.

We are receiving clippings and scrap books from such officers and members of the F. A. A. as we have been able to consult and urge any others to loan like material for this purpose.

Massachusetts Convention

The Savings Bank Association of Massachusetts held a luncheon meeting on June 10 in connection with the annual conference of the New England Bankers Association.

The officers were reelected, including George E. Brock, president; William E. Adam, vice-president; John W. B. Brand, treasurer; Carl M. Spencer, secretary.

Frederic B. Washburn, of our Executive Committee, presided over the New England sessions, being its president.

W. S. S.

The director of the Savings Division, First Federal Reserve District, has notified the school authorities that: "The United States Treasury Department, having in mind the most economical administration of this work, has gradually withdrawn from the active field. Where in 1919 there were upwards of fifty field workers employed in the educational department, this number was reduced in 1920 to thirty-five, later to twenty and during the past few months we have carried a force only in such districts as needed particular attention to this department of our work.

"The program for the next school year contemplates the elimination of field workers in our educational department, but the headquarters of the Savings Division in Boston will always be available to furnish advice, material and all the essentials necessary to a continuation of this work."

Value in Small Drawing Accounts

A bank president is quoted as follows by the *Wall Street Journal:*

"I have just persuaded my directors not to impose a charge on small drawing accounts. In my thirty years' experience I have always found that the thrifty and businesslike habit of a man transacting financial affairs through a bank tends to grow and that small customers become large ones. I have no hesitation in saying that it would have paid the various banks with which I have been associated to give a commission for small business introduced equivalent to the whole of the original deposit. Some of our best customers were small depositors once and did not then expect to be anything more."

B. W. Pruet has been elected president of the Anniston National Bank, Anniston, Ala. Mr. Pruet is vice-president of the American Bankers Association for Alabama.

Ed. H. Wallace, recently resigned vice-president Marine Bank, elected vice-president and director California National Bank, Long Beach, Calif. M. A. White advanced to cashier.

New Banks Organized

Arkansas

El Dorado—Guaranty Bank & Trust Company. Capital, $60,000.

Forrest City—Planters Bank and Trust Company. Capital, $50,000.

Little Rock—Exchange Trust Company. Capital, $100,000.

California

Brea—The First National Bank. Capital, $25,000. President, F. N. High; cashier, J. P. Sievers.

Fresno—Valley Bank. Capital, $625,000.

Glendale—Glendale State Bank. Capital, $100,000. Cashier, C. D. Lusby.

Roseville—The Roseville National Bank. Capital, $50,000. President, F. A. Fiddyment; cashier, W. W. Holmes.

Smith River—Smith River Bank. Capital, $40,000.

Colorado

Sterling—The Sterling National Bank. Capital, $150,000. President, L. C. Burns; cashier, A. M. Rex.

Delaware

Wilmington—American Trust & Finance Company. Capital, $2,500,000.

Florida

Lakeland—Polk County Trust Company. Capital, $300,000. President, A. H. DeVane; secretary-treasurer, J. L. Davis.

Moore Haven — Everglades State Bank. Capital, $15,000. President, Ira Rigdon.

New Port Richey—First State Bank. Capital, $15,000. President, E. M. Avery; cashier, O. W. Hernis.

Pablo Beach—First State Bank. Capital, $15,000. President, L. A Usina; cashier, L. J. Branning.

St. Petersburg—Ninth Street Bank & Trust Company. President, J. N. Brown; treasurer and cashier, P. V. Cunningham.

Illinois

Chicago—Binga State Bank. Capital, $125,000. President, Jesse Binga.

Chicago—Chicago Lawn State Bank. President, William A. Fisher; cashier, George F. Maisel.

Chicago—Howard Street Trust & Savings Bank. Capital, $100,000.

Chicago—Italian Trust & Savings Bank. President, Lawrence H. Whiting; vice-president and cashier, Milton M. Morse.

Chicago—Keystone Trust & Savings Bank.

Chicago—Peoples Bank. President, G. G. Argo; cashier, H. T. Swigart.

Chicago — West Thirty-first State Bank. Capital, $100,000. President, Ignatius Chap.

Evanston—Central States Savings Bank. Capital, $50,000. President, Walter M. Mitchell.

Morton—Farmers State Bank. Capital, $25,000. President, H. L. Yoder; cashier, C. H. Gray.

Ozark — First State Bank. Capital, $51,000. President, J. W. Burnett; cashier, J. O. Moore.

Winchester—Farmers State Bank. Capital, $56,000. President, Albert Ring; cashier, Harvey Green.

Indiana

Boggstown—Sugar Creek State Bank. Capital, $25,000. President, L. C. Burnside; cashier, N. E. Williams.

Losantville—Farmers State Bank. Capital, $25,000. President, N. H. Lumpkins; cashier, I. H. Thompson.

South Bend—Toth State Bank. Capital, $50,000. President, Frank Lassu; cashier, George Toth.

Iowa

Braddyville—Nodaway Valley Bank. Capital, $25,000. President, W. C. Taggart; cashier, Harold F. James.

Corley—Corley Farmers Bank.

Fayette—State Bank of Fayette. Capital, $35,000. President, C. R. Carpenter; cashier, F. B. Claxton.

Kansas

Groveland—Farmers State Bank. Capital, $10,000. President, W. C. Adams; cashier, Chas. G. Bryant.

Palco—The First National Bank. Capital, $75,000. President, Charles L. Miller, cashier, Bertha E. Holmes.

Shady Bend—Shady Bend State Bank. Capital, $10,000. President, J. F. McReynolds; cashier, T. A. Biggs.

Tribune—Kansas State Bank. Capital, $10,000. President, C. L. Wilson; cashier, Bruce A. Russell.

Wichita—Kansas State Bank. Capital, $50,000. President, A. F. Styles; cashier, E. M. Woodward.

Kentucky

Freeburn—Merchants & Miners Bank. Capital, $16,000.

Ravenna—Ravenna State Bank. Capital, $15,000. President, B. P. Wooten; cashier, H. P. Moore.

Scottsville—Peoples State Bank. Capital, $50,000. President, Arthur Hobdy; cashier, Gordon Morman.

Louisiana

Hammond — The Citizens National Bank of Hammond. Capital, $100,000. President, H. P. Mitchell; cashier, A. W. McDermott.

La Batre—Bank of Bayou. Capital, $10,000.

Michigan

Cedar Springs—Farmers & Merchants State Bank. Capital, $30,000. President, Dib Phelps; cashier, Thaddeus B. Taylor.

Detroit—Continental Bank. Capital, $700,000. President, Walter G. Toepel; cashier, Wm. J. Schecter.

Kaleva—Kaleva State Bank. President, Gustavus Haksluoto; cashier, Ellsworth Billman.

Nunica—Nunica State Bank. Capital, $20,000.

Parma—First State Bank. Capital, $20,000.

Minnesota

Albert Lea—North Side State Bank. Capital, $25,000. President, James C. Nelson; cashier, James L. Sorenson.

Boyd—Boyd State Bank. Capital, $25,000.

Proctor—The Peoples National Bank. Capital, $25,000. President, J. H. Ingwersen; cashier, H. W. Rice.

Taconite—First State Bank. Capital, $10,000.

Missouri

Hannibal—Citizens Cooperative Trust Company. Capital, $100,000.

St. Louis—Imperial Trust Company. Capital, $500,000.

St. Louis—The Republic National Bank of St. Louis. Capital, $1,000,000. President, W. E. Brown; cashier, M. E. Patterson.

Montana

Deer Lodge—Deer Lodge Bank & Trust Company. Capital, $150,000. President, C. H. Williams; cashier, W. F. Gullette.

New Jersey

Atlantic City—Atlantic County Trust Company.

Hightstown—Hightstown Trust Company. Capital, $120,000.

New Mexico

Roy—The First National Bank of Roy. Capital, $50,000. President, H. B. Jones; cashier, C. L. Justice.

New York

Albany—Central Bank. President, John B. Hauf; cashier, C. J. Beckett.

Ebenezer—Ebenezer State Bank. Capital, $25,000.

Hillsboro—The Essex County National Bank. Capital, $25,000. President, Augustus G. Paine, Jr.

New York—Commercial Exchange National Bank of N. Y. Capital, $700,000. President, L. A. Fahs; cashier, George Kern.

Ridgewood—Savings Bank of Ridgewood.

Rouses Point—The First National Bank. Capital, $50,000. President, Frank Whiteside; cashier, John N. Crook.

North Carolina

Charlotte—Charlotte Bank & Trust Company. Capital, $1,000,000. President, Marvin A. Turner; cashier, J. E. Leach.

Elizabeth City—Carolina Banking & Trust Company. Capital, $250,000. President, Dr. A. L. Pendleton; vice-president and cashier, Gurney F. Hood.

Ohio

Cleveland—Midland Bank. Capital, $2,000,000. President, W. P. Sharer; secretary and cashier, Frank A. White.

Oklahoma

Jenks—First State Bank. Capital, $15,000. President, Louis R. Steigleder; vice-president and cashier, R. E. E. Steigleder.

Keifer—Security State Bank. Capital, $25,000. President, A. E. Henry; cashier, M. E. Henry.

Okmulgee—The Union National Bank of Okmulgee. Capital, $100,000. President, H. B. Ernest; cashier, H. G. Zike.

Smithville—First State Bank. Cap-

ital, $10,000. President, P. P. Claypool; cashier, Wm. F. Cleckler.

Oregon

Aurora—The First National Bank. Capital, $25,000. President, Louis Webert; cashier, Frederick D. Elliott.

Prineville—Bank of Prineville. Capital, $50,000.

Pennsylvania

Central City—The Central City National Bank. Capital, $50,000. President, John Lochrie; cashier, Jas. M. Miller.

Dallastown—Union State Bank. Capital, $75,000.

Hazleton—Italian Savings & Trust Company.

Osceola Mills—The Peoples National Bank. Capital, $50,000. President, Robert Jackson; cashier, Glenn Shaffer.

Philadelphia—Cobb's Creek Title & Trust Company.

Philadelphia—Oak Lane State Bank. Capital, $50,000. President, Joshua M. Holmes; cashier, Joshua M. Holmes, Jr.

South Carolina

Meggetts—Exchange Bank. Capital, $15,000. President, Charles W. Geraty; secretary-treasurer, H. A. Moore.

Whitney—Whitney Savings Bank. Capital, $6,000.

Tennessee

Coalmont—Coalmont Savings Bank. Capital, $15,000.

Texas

Cooper—Security State Bank. (Succeeds Farmers National Bank.) Capital, $100,000. President, J. A. Blackwell; cashier, Barclay Poteet.

Donna—Guaranty State Bank. Capital, $40,000. President, Philip Welhausen; cashier, R. S. Chambers.

Hitchcock—Hitchcock State Bank.

Mexia—The City National Bank. Capital, $100,000. President, Blake Smith; cashier, W. G. Forrest.

Morgan Mill—Guaranty State Bank. President, W. S. Fant; cashier, J. W. Brown.

Nocona—The Peoples National Bank. Capital, $50,000. President, G. M. Utt; cashier, B. E. Anderson.

Petersburg—Guaranty State Bank. Capital, $15,000. President, E. B. Shankle; vice-president and cashier, R. A. Jeffrey.

Quinlan—The First National Bank. Capital, $25,000. President, C. O. Laney; cashier, J. E. Laney.

Utah

Greenriver — Commonwealth Bank. Capital, $25,000. President, E. W. Hulse; cashier, Cecil Thompson.

Virginia

Ashland—The First National Bank of Ashland. President, Andrew J. Ellis; cashier, V. Nelson Vaughan. Capital, $25,000.

Bassett—First National Bank of Bassett. President, J. D. Bassett; cashier, J. I. Dillon. Capital, $50,000.

Bristol—Commonwealth State Bank. President, M. H. Copenhaver.

Brookneal — The Peoples National Bank. Capital, $50,000. President, H. F. Walthall; cashier, Wm. R. Davis.

West Virginia

Beckley—New Raleigh Bank & Trust Company. President, C. E. Minter; cashier, J. Hugh Miller.

Huntington—Guyandotte Bank. Capital, $50,000.

Wisconsin

Eau Claire—Security State Bank. Capital, $50,000. President, John Bauman; cashier, W. C. Roseberry.

Mondovi—Farmers Bank.

Wyoming

Casper—Wyoming Trust Company.

Yoder—Security State Bank.

Bank Publicity

Continued from page 31

3. That it should convince the reader.
4. That it should inspire the reader to act in accordance with the suggestions you have made in your message.

This last is the ultimate and final purpose of the advertisement—to inspire to action—in other words, to persuade the reader to open an account, to buy a bond, rent a safe deposit box, or establish a trusteeship. After an advertisement has attracted the attention of the reader and excited his interest, and succeeded in convincing him, it has failed in its purpose unless he is inspired to act. There is only one thing which will achieve this result, and that is so to construct the whole advertisement, particularly the closing paragraph, as to make him actually want the thing you are trying to sell him.

It is a common practice among banks to get in direct touch with prospects by offering them a pamphlet or booklet which will go into greater detail than can the advertisement, and when the advertisement has succeeded in getting the reader actually to write for such a booklet, its immediate purpose has been achieved. After that it is the duty of the officer in charge of new business to follow the inquiry and actually land the business.

Illustrations in bank advertisements were almost unknown five years ago. Properly used, they are now proving a valuable aid to the financial advertiser in gaining an audience for his message, thus helping to solve the first problem of his advertising composition, namely, to attract attention.

The preparation of news items for the news columns of daily papers affords another means of obtaining publicity, which although not lending itself to accurate checking, may nevertheless be a potent means to the end in view, namely, the growth of your institution. Public opinion may be effectively moulded in your favor by means of unshaded accounts of your activities, and statements from or addresses by your officers, or comment by them on current financial affairs.

Reading matter of this character must have real news value in order to get into the newspapers. Ordinarily the public will read, and the newspaper will be glad to receive items or articles of timely interest. May I here suggest concrete examples of what I mean:

1. Extensions and enlargements to the bank's property or staff.
2. Changes in its personnel.
3. The declaration of extra dividends —a reflection not only of the bank's prosperity, but also of the community it serves.
4. Innovations in management.
5. Welfare work.
6. The opening of branch offices.
7. Anniversaries.
8. The financial statement of your bank at the call periods, with comparative figures, if possible.

Edward Vanderpoel has recently been appointed an assistant cashier of the National Bank of Commerce in New York.

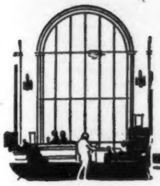
The Equitable Trust Company of New York has announced the appointment of Turner C. Trippe as manager of the Atlanta office of the company.

George L. Burr has been appointed a vice-president of the Guaranty Trust Company of New York.

Frederick P. Fiske has been appointed assistant vice-president of the Guaranty Trust Company of New York. Edward Stair has been made manager of the Guaranty's Baltimore office, succeeding Clifford C. Collings, resigned. Walter F. A. Brown and H. A. Laycock have been appointed secretaries of the London office.

Vernon M. Powell, cashier of the Home Savings Bank, Brooklyn, has been elected a trustee.

Charles F. Stern, state superintendent of banks in California, has resigned that office to become vice-president of the First National Bank of Los Angeles, Calif., and the Los Angeles Trust and Savings Bank.



NATIONAL BANK DIVISION

Uniform National Bank Currency

THAT the National Bank Act in its requirements for the printing of distinctive notes for each bank issuing circulation causes an unnecessary expense and an amount of dispensable detail work has come to be realized by Treasury Department officials and by bankers alike. A plan to conserve this time and expense is proposed in a bill for the establishment of a uniform national bank currency.

The bill provides in part as follows: "These circulating notes shall not bear the name, charter number of any other distinguishing mark indicating the bank to which they may be issued." Thus it is seen that instead of having three or four steel plates engraved for each bank issuing circulation, and to that extent pyramiding the possibilities of counterfeiting, one engraving for each denomination of note issued would suffice. Under the system now in operation when plates become worn, as they do in time, they must be replaced at a cost of $120 each by the banks. Also, when a charter is extended all the old plates must be destroyed, as must all the undelivered currency printed therefrom.

In addition a vast saving could be effected in the work of redeeming the mutilated notes. A greatly reduced force of employees would be sufficient. It is proposed also to lessen the number of shipments of currency. Instead of forwarding notes each day to all the banks for which currency is destroyed, and calling for replenishment of their 5 per cent. funds, the plan contemplates taking the banks numerically in the order of their charters and each day shipping currency to and using the entire 5 per cent. funds of a sufficient number of them to reimburse the officials for the notes destroyed.

A supply of notes for each bank is attempted to be kept available for dispatch whenever called for, but as a matter of fact the rush of work for some months has made this impossible. If uniform notes were used they would be furnished to all banks from a common reservoir and any currency in stock could be shipped to whatever bank might apply.

The National Bank Division of the A. B. A. has indorsed the plan. Further action by the Senate committee having it in charge seems to await a formal statement of the attitude of several Treasury Department officials.

Division State Vice-Presidents

State vice-presidents of the National Bank Division are elected annually by the national bank members of the A. B. A. in attendance upon the conventions of the several state bankers associations.

The following named gentlemen, elected this year, will enter upon their duties next October when the Association convention is held in Los Angeles:

Alabama—D. P. Bestor, president First National Bank, Mobile.
Arizona—F. W. Buckwalter, cashier First National Bank, Bisbee.
Arkansas—Albert Sims, cashier First National Bank, Batesville.
California—Leroy Holt, president First National Bank, El Centro.
District of Columbia—Robert V. Fleming, vice-president Riggs National Bank, Washington.
Florida—T. A. Chancellor, president First National Bank, St. Petersburg.
Georgia—R. L. Saville, president Dawson National Bank, Dawson.
Illinois—George F. Emery, vice-president Live Stock Exchange National Bank, Chicago.
Kansas—B. L. Perry, vice-president Condon National Bank, Coffeyville.
Louisiana—Andrew Querbes, president First National Bank, Shreveport.
Maryland—Phillips Lee Goldsborough, president National Union Bank of Maryland, Baltimore.
Massachusetts—Samuel H. Lowe, cashier Safety Fund National Bank, Fitchburg, Mass.
Michigan—E. R. Morton, vice-president and cashier National Bank of Battle Creek, Battle Creek.
Mississippi—George Williamson, vice-president First National Bank, Vicksburg.
Missouri—Marvin E. Holderness, vice-president First National Bank, St. Louis.
Nebraska—C. J. Miles, president Grand Island National Bank, Grand Island.
New Jersey—F. Morse Archer, president National State Bank, Camden.
North Carolina—C. P. McNeeley, cashier First National Bank, Mooresville.
Pennsylvania—Joseph Wayne, Jr., president Girard National Bank, Philadelphia.
Rhode Island—Thomas P. Congdon, vice-president and cashier Aquidneck National Bank, Newport.
Tennessee—R. M. Prichard, cashier First National Bank, Ripley.
Texas—John R. Haven, vice-president National Bank of Denison, Denison.
Virginia—C. E. Tiffany, president Fauquier National Bank, Warrenton.
Wisconsin—J. W. Dunegan, vice-president First National Bank, Stevens Point.

State Taxation of National Bank Shares

In the city of Richmond, Va., in 1915, there was imposed upon the shares of state and national banks, for city and state purposes, a tax of $1.75 upon the $100.00 of valuation, while upon intangible personal property in general, including bonds, notes and other evidences of indebtedness, the rate was 95 cents. The petition of the Merchants National Bank, in its cause against the city of Richmond, attacked the validity of the assessment upon the ground of its repugnance to Section 5219 of the Revised Statutes of the United States, which provides that taxation of national bank shares shall not be a greater rate than is assessed upon other moneyed capital in the hands of individual citizens of the state. The Supreme Court of Appeals of Virginia entertained the view that the purpose of this section is confined to the prevention of discrimination by states against national banks in favor of state banking associations, and that inasmuch as no such discrimination was shown there was no repugnance to the Federal statute.

The cause reached the Supreme Court of the United States, which held that the construction placed upon Section 5219 by the Virginia court is too narrow. This section traces its origin back to Section 41 of the Act of June 3, 1864, which in addition to the restriction just recited carries the express proviso that the tax shall not exceed the rate imposed upon the shares of state banks.

In repeated decisions the Supreme Court of the United States has held that while the words "moneyed capital in the hands of individual citizens" do not include shares of stock in corporations that do not enter into competition with national banks, they do include something besides shares in banking corporations and others that enter into direct competition with those banks. They include money invested in private banking and investments of individuals in securities that represent money at interest and other evidences of indebtedness such as normally enter into the business of banking.

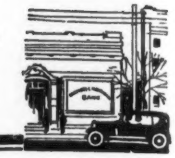
In concluding its opinion the court said: "In the present case, there is clear showing of such competition, relatively material in amount, and it follows that upon the undisputed facts the ordinance and statute under which the stock of plaintiff in error was assessed, as construed and applied, exceeded the limitation prescribed by Section 5219 of the Revised Statutes, and hence the tax is invalid."

Interest Earned and Collected Accounts

The last call issued by the Comptroller of the Currency for statement of condition of banks did not ask the amount of interest earned and not collected or the amount collected and not earned. This omission has prompted numerous banks to inquire of their Washington office whether they must continue to carry these accounts on their books as before.

Upon presentation of this question to the comptroller he declared that banks are free to exercise their own discretion. He feels that it is a considerable task for some banks to keep these accounts, and for that reason he has ruled that they may be dispensed with if the banks so desire.

STATE BANK DIVISION



State Exchange Laws

The Committees on Exchange of the American Bankers Association and the State Bank Division have compiled the following digest of exchange laws adopted by the states of Mississippi, Louisiana, South Dakota, Georgia, Alabama, North Carolina, Tennessee and Florida:

MISSISSIPPI

SECTION 1—That for the purpose of providing for the solvency, protection and safety of the banking institutions of Mississippi, the established custom on the part of the banks of this state to charge a service fee (commonly called "exchange") for collecting and remitting, by exchange or otherwise, the proceeds of checks, drafts, bills, etc., (commonly known among banks as "cash items") is hereby declared to be the law of this state; and the banks of this state, both state and national, shall continue to make such charge as fixed by custom when such "cash items" are presented to the payer bank for payment through or by any bank, banker, trust company, Federal reserve bank, post office, express company, or any collection agency, or by any other agency, whatsoever; and the amount of such charge is hereby fixed at one-tenth of one per centum of the total amount of such "cash items" so presented and paid at any one time, and not less than ten cents on any one such transaction; provided, however, no such charge shall be made on checks or drafts given or drawn in settlement of obligations due the state of Mississippi or any subdivision thereof, or of the United States. And that no such charge can be made by banks for the collection of checks deposited with said banks, where the check is drawn on any other bank in the same municipality, city, town or village, this being the long established custom of such banks. And, provided that nothing in this act shall be deemed to be mandatory upon the banks to charge exchange on checks or drafts payable to a person in this state, and drawn on a bank, trust company or person within or without this state, but it shall be optional with such banks whether they shall charge exchange on checks or drafts payable to a person within this state, and drawn on a bank, trust company or person within or without this state.

SECTION 2—That no officer in this state shall protest for non-payment any such "cash item" when such non-payment is solely on account of the failure or refusal of any of said agencies to pay such exchange; and there shall be no right of action, either at law or in equity, against any bank in this state for a refusal to pay such cash item, when such refusal is based alone on the ground of the non-payment of such exchange.

SECTION 3—That if for any reason the courts should hold that the national banks in this state are not required to charge and collect such exchange, still this act shall remain in full force and effect as to all other banks in this state; and in the event of such holding by the courts, or the refusal of any national banks in this state to comply with this act, then it shall be optional with state banks located in the same municipality with a national bank or state banks which are members of the Federal reserve system as to whether such charge shall be made.

LOUISIANA

SECTION 1—That the banks of this state, both state and national, shall have the right to make an exchange charge for the handling of cash items and when such cash items are presented to the payer bank for payment, through or by any bank, banker, trust company, Federal reserve bank, post office, express company, collection agency, or by any other agency whatsoever; and the amount of such charge shall not exceed one-tenth of one per centum of the total amount of such "cash items" so presented and paid at any one time, and the minimum charge shall be ten cents; provided, however, that no such charge shall be made on checks or drafts given or drawn in settlement of obligations due the state of Louisiana or any subdivision thereof, or of the United States. And that no such charge can be made by banks for the collection of checks deposited with said banks, when the check is drawn on any other bank in the same municipality, city, town or village. And, provided that nothing in this act shall be deemed to be mandatory upon the banks to charge exchange on checks or drafts payable to a person in this state, and drawn on a bank, trust company or person within or without this state, but it shall be optional with such banks whether they shall charge exchange on checks or drafts payable to a person within this state, and drawn on a bank, trust company or person within or without this state.

SECTION 2—That no officer in this state shall protest for non-payment any such "cash item" when such non-payment is solely on account of the failure or refusal of any of said agencies to pay such exchange; and there shall be no right of action, either at law or in equity, against any bank in this state for a refusal to pay such cash item, when such refusal is based alone on the ground of the non-payment of such exchange.

SECTION 3—That if for any reason the courts should hold that the national banks in this state are not required to charge and collect such exchange, still this act shall remain in full force and effect as to all other banks in this state; and in the event of such holding by the courts, or the refusal of any national bank in this state to comply with this act, then it shall be optional with state banks located in the same municipality with a national bank or state banks which are members of the Federal reserve system as to whether such charge shall be made.

The state of Louisiana has also passed an act to prevent the accumulation of checks drawn on any banking institution of the state of Louisiana, for the purpose of presenting the said checks at any one time for collection and thereby injuring the credit of the bank on which they are drawn and to provide that in cases where such checks are accumulated and presented to the payee bank that the said bank on which the checks are drawn shall have the right to three days' time or to pay such checks so presented in exchange on its correspondent and to provide what shall constitute prima facie proof of such intention to injure the bank on which the drafts or exchange are drawn.

SECTION 1—That in all cases where any bank collecting exchange and drafts drawn on another bank and holding same in order to present them at one time for the purpose of injuring the drawee bank, that such drawee bank shall in such case have the option to claim three days' grace in which to pay said drafts or exchange in cash, or to pay said drafts or exchange by a draft drawn on its correspondent.

SECTION 2—That the presentation of more than three drafts or bills of exchange over five days after their receipt by the bank presenting same shall constitute prima facie proof that said checks have been withheld from presentation in order to injure the drawee bank.

SOUTH DAKOTA

SECTION 1—That the banks of this state may charge a service fee for collecting and remitting by exchange or otherwise checks, drafts, bills, etc., commonly known as "cash items," and the banks of this state may make such charge when such "cash items" are presented to the payer bank for payment through any bank, banker, trust company, Federal reserve bank, post office; express company, or any collectors' agency, or by any other agency whatsoever, and the amount of such charge is hereby fixed at one-tenth of one per cent of the total amount of such cash items so presented and paid at any one time, and not less than ten cents on any one transaction; provided, however, that no such charge can be made by banks for collecting a check presented to said banks where the check is drawn on any bank in the same municipality, city, town or village and does not bear an out-of-town indorsement.

SECTION 2—That any officer or notary public who shall protest checks for non-payment where payment is refused solely on account of the presentor's refusal to pay exchange, shall be guilty of a misdemeanor, and there shall be no right of action either in law or in equity against any bank in this state for a refusal to pay such cash item when such refusal is based alone on the ground of the non-payment of such exchange.

SECTION 3—That whenever one or more checks on any bank in the hands of a single holder or holders for an aggregate sum exceeding the amount of such bank's legal reserve required to be kept in its vaults shall be presented on the same date and payment thereof demanded, the said bank may elect to make such payment in exchange instead of cash.

GEORGIA

Amendment to Section 27, Article 19—By inserting in Section 27, Article 19, after the body of said section and before the proviso, the words "provided that the reserve against savings and time deposits may be invested in bonds of the United States or of this state at the market value thereof," and by adding at the end of said section the following: "And provided that a bank shall have the right to pay checks drawn upon it when presented by any bank, banker, trust company, or any agent thereof, either in money or in exchange, drawn on its approved reserve agents, and to charge for such exchange not exceeding one-eighth of one (1) per cent. of the aggregate amount of the checks so presented and paid."

ALABAMA

SECTION 1—That hereafter banks in Alabama shall charge for exchange not exceeding one-eighth of one per centum when paying or remitting for checks drawn upon them; that whenever a check or checks are forwarded or presented to a bank for payment by any Federal reserve bank, express company or post office employee, other bank, banker, trust company, or by any agent or agents thereof, or through any other agency or individual, the paying bank or remitting bank may pay or remit the same, at its option, either in money, or in exchange drawn on its reserve agent or agents in the city of New York or in any reserve city within the Sixth Federal Reserve District; and, at its option, it may charge for such exchange not exceeding one-eighth of one per centum of the aggregate amount of the checks so presented and paid, provided, that the minimum charge may be ten cents.

SECTION 2—That hereafter it shall be unlawful for any person or notary public, or other official in this state to protest any check for non-payment, when payment is declined solely on the ground that the paying bank exercises its option to collect exchange on such check, not exceeding one-eighth of one per centum of the amount of such check, or the minimum charge of ten cents as set forth in Section 1 hereof; and any person, notary public or other official violating this section shall be responsible for all damages to all interested persons or corporations.

NORTH CAROLINA

SECTION 1—That for the purpose of providing for the solvency, protection, and safety of the banking institutions and trust companies chartered by this state and having their principal offices in this state, it shall be lawful for all banks and trust companies in this state to charge a fee, not in excess of one-eighth of one per cent., on remittances covering checks, the minimum charge to be ten cents.

SECTION 2—That in order to prevent accumulation of unnecessary amounts of currency in the vaults of the banks and trust companies chartered by this state, all checks drawn on said banks and trust companies shall, unless specified on the face thereof to the contrary by the maker or makers thereof,

be payable at the option of the drawee bank, in exchange drawn on the reserve deposits of said drawee bank when any such check is presented by or through any Federal reserve bank, post office, or express company, or any respective agents thereof.

SECTION 3—That it shall be unlawful for any person, or persons, other than the maker thereof, to make, by rubber stamp or otherwise, any notation on any check drawn on any bank or trust company chartered in this state, the effect of which notation shall change or affect any condition or provision thereof, as created by this act. That any person or persons violating this section shall be guilty of a misdemeanor, and upon conviction shall pay a fine of not more than two hundred ($200) dollars, or be imprisoned not more than thirty days.

SECTION 4—That all checks drawn on the banks and trust companies in this state in payment of obligations due the state of North Carolina or the Federal government, shall be exempt from the provisions of Sections 1 and 2 of this act.

SECTION 5—That no officer in this state shall protest for non-payment any check, or checks, drawn on any bank or trust company chartered by this state when payment is refused by the drawee bank solely on account of failure or refusal of the holder or owner thereof to pay exchange charges herein authorized; and there shall be no right of action, either in law or equity, against any bank or trust company chartered by this state, for refusal to pay any such check when such action is based alone on the ground of refusal to pay exchange or collection charges herein authorized.

TENNESSEE

SECTION 1—That the banks of this state, both state and national, shall have the right to make an exchange charge for the handling of cash items and when such cash items are presented to the payer bank for payment, through or by any bank, banker, trust company, Federal reserve bank, post office, express company, collection agency, or by any other agency whatsoever; and the amount of such charge shall not exceed one-tenth of one per centum of the total amount of such "cash items" so presented and paid at any one time, and the minimum charge shall be ten cents; provided, however, that no such charge shall be made on checks or drafts given or drawn in settlement of obligations due the state of Tennessee or any sub-division thereof, or of the United States. And that no such charge can be made by banks for the collection of checks deposited with said banks, when the check is drawn on any other bank in the same municipality, city, town or village, and provided that nothing in this act shall be deemed to be mandatory upon the banks to charge exchange on checks or drafts payable to a person in this state, and drawn on a bank, trust company or person within or without this state, but it shall be optional with such banks whether they shall charge exchange on checks or drafts payable to a person within this state, and drawn on a bank, trust company or person within or without this state.

SECTION 2—That no officer in this state shall protest for non-payment any such "cash items" when such non-payment is solely on account of the failure or refusal of any of said agencies to pay such exchange; and there shall be no right of action, either at law or in equity, against any bank in this state for a refusal to pay such cash item, when such refusal is based alone on the ground of the non-payment of such exchange.

SECTION 3—That if for any reason the courts should hold that the national banks in this state are not required to charge and collect such exchange still this act shall remain in full force and effect as to all other banks in this state; and in the event of such holdings by the courts, or the refusal of any national bank in this state to comply with this act, then it shall be optional with state banks located in the same municipality with a national bank or state banks which are members of the Federal reserve system as to whether such charge shall be made.

FLORIDA

SECTION 1—That hereafter banks in Florida shall charge for exchange not exceeding one-eighth of one per centum when paying or remitting for checks drawn upon them; that whenever a check or checks are forwarded or presented to a bank for a payment, except when presented by the payee in person, the paying bank or remitting bank may pay or remit the same, at its option, either in money, or in exchange drawn on its reserve agent or agents in the city of New York or in any reserve city within the Sixth Federal Reserve District; and, at its option, it may charge for such exchange not exceeding one-eighth of one per centum of the aggregate amount of the checks so presented and paid; provided, that the minimum charge shall not be less than ten cents. Provided further, that the provisions of this act shall not apply to foreign bills of exchange.

SECTION 2—That hereafter it shall be unlawful for any person or notary public, or other official in this state, knowingly, to protest any check for non-payment, when payment is declined solely on the ground that the paying bank exercises its option to collect exchange on such check, not exceeding one-eighth of one per centum of the amount of such check, or the minimum charge of not less than ten cents, as set forth in Section 1 hereof; and any person, notary public, or other official, knowingly, violating this section shall be responsible for all damages to all interested persons or corporations and his official bond shall be liable therefor.

Bank Supervisors Convention

President Elliott C. McDougal, of the State Bank Division of the American Bankers Association, will address the annual convention of the National Association of Supervisors of State Banks to be held in Philadelphia during the early part of August, and a representative bank supervisor will reciprocate at the Los Angeles Convention of the State Bank Division in October.

New Plan of Administration

One change in the general banking law of Washington made at the recent session of the Legislature placed the banking department of that commonwealth under the Director of Taxation and Examination through the Supervisor of Banking, who assumes all the duties formerly vested in the Bank Commissioner, which office ceases to exist.

Stern of California Resigns

Charles F. Stern, who has been State Superintendent of Banks of California since December, 1918, has resigned to go to Los Angeles as vice-president of the Los Angeles Trust & Savings Bank and of the First National Bank. In the three years of his administration Mr. Stern successfully guided California banks through the period of reconstruction following the armistice, facing problems vitally affecting the entire business interests of the West. Governor Stephens has announced the appointment of Jonathan S. Dodge, chairman of the Board of Supervisors of Los Angeles County, as State Superintendent of Banks, to succeed Mr. Stern.

McPherson Heads Michigan Banks

Hugh A. McPherson of Howell has been appointed State Banking Commissioner of Michigan to succeed Frank W. Merrick, who recently resigned.

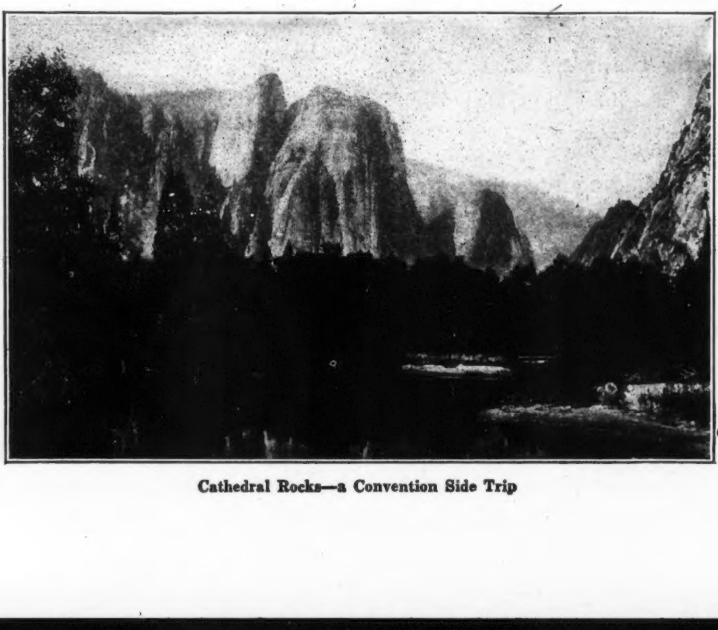
Chesterfields in Montana

L. Q. Skelton has succeeded H. S. Magraw as head of the Banking Department of Montana. Mr. Magraw speaks of his successor as follows:

"L. Q. Skelton, my successor, is a gentleman I have known for many years, and it was a great pleasure to learn of his appointment, and I am quite sure he will serve you well, and may I bespeak for him the always courteous and loyal support you have given me."

On assuming office Mr. Skelton said:

"It shall be my purpose in taking over the office of superintendent of banks to pursue the same general policy as has been pursued by my esteemed predecessor. For the present it shall be our purpose to put the banks in shape to ride the breakers until another crop is marketed. At that time we shall expect as complete liquidation as possible, some regard being had, of course, to related economic factors. We shall expect the banks to put themselves in commanding position as to security and liquidation will follow in proportion to abundance of harvest and prevailing commodity prices. We shall expect marketing to follow closely upon the heels of harvesting. All parties have suffered enormously the past year by the hold-over policy. In view of the long past I am not discouraged. I have perfect confidence in my country and my state and abiding faith in the future. Be of good cheer, the coming months and year will abundantly repay."



Cathedral Rocks—a Convention Side Trip

Membership Changes

REPORTED FROM MAY 26, 1921, TO JUNE 25, 1921

There are frequent changes which come about through consolidations, mergers, liquidations and changes of title. The Executive Manager of the Association would appreciate receiving from members notice of any changes which occur, for the purpose of keeping the membership list correct and giving publicity through the columns of the JOURNAL.

Alabama	Andalusia	Bank of Andalusia changed to Andalusia National Bank.
Arkansas	Eldorado	Citizens National Bank consolidated with First National Bank.
California	Pasadena	A correction. Union National Bank consolidated with Union Trust & Savings Bank as Los Angeles Trust & Savings Branch. Los Angeles given as address in May JOURNAL. Should be Pasadena.
	San Francisco	Security Savings Bank changed to Security Bank and Trust Co.
	Sunnyvale	Bank of Sunnyvale succeeded by Bank of Italy.
	Visalia	Visalia Savings Bank & Trust Company merged with National Bank of Visalia as Bank of Italy.
Colorado	Sterling	Farmers National Bank taken over by Sterling National Bank.
Florida	Molino	Molino State Bank closed.
Georgia	Ambrose	Ambrose-Eugina Banking Co. changed to Bank of Ambrose.
Idaho	Burley	Bank of Commerce and Burley State Bank taken over by Commercial State Bank.
	Driggs	Teton National Bank merged with First National Bank.
Illinois	Bloomington	First National Bank consolidated with State Bank of Bloomington as First Trust & Savings Bank.
	Chicago	Shapker, Waller & Co. changed to Shapker & Co.
	Colfax	The Colfax Bank closed.
	Johnston City	Citizens Bank changed to Citizens State Bank.
	La Moille	Norris & Kendall changed to LaMoille State Bank.
	St. Francisville	Peoples Bank merged with First National Bank as Peoples National Bank.
Iowa	Onawa	Citizens State Bank in hands of receiver.
	Waterloo	American Trust & Savings Bank and Lincoln Savings Bank consolidated with Waterloo Bank and Trust Company.
Kentucky	Owensboro	United States National Bank taken over by Central Trust Company.
	Scottsville	Allen County National Bank sold out to First National Bank.
Louisiana	Newellton	Bank of Newellton closed.
Maryland	Baltimore	National Bank of Commerce merged with Merchants National Bank.
Montana	Billings	Merchants National Bank consolidated with Yellowstone National Bank.
	Brockway	First State Bank reopened.
	Sweetgrass	First International Bank reopened.
Nebraska	Bruning	Farmers State Bank taken over by Bruning State Bank.
	Hoskins	Farmers State Bank in hands of receiver.
New York	Honeoye Falls	Bank of Honeoye Falls closed.
Ohio	Cincinnati	Court House Savings Bank absorbed by Union Savings Bank and Trust Co. and being operated as Court House Branch Union Savings Bank & Trust Company.
	Cleveland	Columbia Savings & Loan Co. and its Washington Park office merged with State Banking & Trust Company and will be operated as State Banking & Trust Co. Columbia office State Banking & Trust Company, Washington Park office, Cleveland.
	Columbus	Produce Exchange Bank absorbed by Citizens Trust and Savings Bank and is being operated as Produce Exchange Bank.
	Dayton	East Dayton Savings & Banking Company consolidated with Dayton Savings & Trust Company and will be known as the East Dayton Branch, Dayton Savings & Trust Company.
Oklahoma	Marietta	First State Bank succeeded by Guaranty State Bank.
	Stuart	Liberty National Bank absorbed by Stuart State Bank.
South Dakota	Sioux Falls	Security Savings Bank succeeded by International State Bank.
Texas	Aubrey	Farmers and Merchants State Bank and First Guaranty State Bank consolidated as Security State Bank.
	Cooper	Farmers National Bank succeeded by Security State Bank.
	Nocona	Nocona National Bank succeeded by Peoples National Bank..
Utah	Salt Lake City	McCormick & Company Bankers, taken over by Walker Bros. Bankers.
Virginia	Norfolk	Marine Bank merged with National Bank of Commerce.
Wyoming	Garland	Garland State Bank closed.

New and Regained Members from May 26 to June 25, 1921, Inclusive

Alabama

Andalusia National Bank, Andalusia 61-130. (Regained.)
First National Bank, Brantley 61-261. (Regained.)
Bank of Cuba, Cuba 61-281. (Regained.)

Arkansas

Ouachita Bank, Ouachita 81-562. (Regained.)
Bank of Scranton, Scranton 81-431. (Regained.)

California

Southern Trust & Commerce Bank, Brawley 90-820. (Regained.)
Home Savings Bank of Woodland, Grafton P. O., Knights Landing 90-853. (Regained.)
California Bank, West Hollywood Branch, Los Angeles 16-20.
Smith River Bank, Smith River 90-943.

Georgia

Citizens Bank, Bullockville 64-1009.
Calhoun National Bank, Calhoun 64-306. (Regained.)
Hammack Rish Bank, Edison 64-439. (Regained.)
Bank of Vienna, Vienna 64-322. (Regained.)

Idaho

Eden State Bank, Eden 92-234. (Regained.)

Illinois

First National Bank, Sesser 70-1577.

Indiana

First National Bank, Poseyville 71-631. (Regained.)

Iowa

State Bank of Belmond, Belmond 72-546. (Regained.)
Napier Savings Bank, Ames P. O., Napier 72-1968. (Regained.)

Kansas

Peoples State Bank, Arcadia 83-1340.
Bushton State Bank, Bushton 83-766. (Regained.)
Danville State Bank, Danville 83-798. (Regained.)

Kentucky

First National Bank, Mayfield 73-108. (Regained.)

Louisiana

Florien State Bank, Florien 84-318. (Regained.)

Michigan

W. E. Reilly & Co., Penobscot Bldg., Detroit. (Regained.)

Minnesota

Farmers State Bank, Lyle 75-1212. (Regained.)
Central Trust & Savings Bank, St. Paul, 22-83.

MEMBER AMERICAN BANKERS ASSOCIATION

Put the above sign on the windows of your bank and under your newspaper advertisements. It will help the Association and likewise help yourself.

Mississippi

Bank of Utica, Utica 85-252. (Regained.)
Bank of Webb, Webb 85-409. (Regained.)

Missouri

Bank of Asbury, Asbury 80-1307.
Citizens State Bank, Cameron 80-1590.
Bank of Canton, Canton 80-296.
Green Castle Bank, Green Castle 80-733.
Bank of Green City, Green City 80-561.
Farmers & Merchants Bank, Hopkins 80-547.
Farmers & Traders Bank, Iberia 80-748.
Farmers' Bank, Laddonia 80-657.
Lakenan State Bank, Lakenan 80-1486.
Farmers Bank, Lamonte 80-1410.
Lewis County Exchange Bank, Lewistown 80-764.
McCredie Bank, McCredie 80-1507.
Liberty Bank, Moscow Mills 80-1577.
Farmers & Merchants Bank, Otterville 80-1493.
Bank of Rush Hill, Rush Hill 80-1197.
Republic National Bank, St. Louis.
Southwest Bank, St. Louis 4-98.
Farmers & Mechanics Bank, Sedalia 80-59.
Bank of Tebbetts, Tebbetts 80-1226.
Bank of Waco, Waco 80-1552.
Winfield Banking Co., Winfield 80-1265.

Nebraska

Citizens State Bank, Peru 76-267. (Regained.)

New York

Bank of Coney Island, Sea Gate Branch, Coney Island, New York 1-387.

North Carolina

Citizens Bank, Burnsville 66-291. (Regained.)

North Dakota

First State Bank, Fort Yates 77-717.
First National Bank, Ryder 77-319. (Regained.)

Ohio

Sutton State Bank, Attica 56-517.
Third National Bank, Circleville 56-396.
Peoples Commercial & Savings Bank, London 56-541. (Regained.)
First National Bank, Lynchburg 56-1306.
Farmers National Bank, Manchester 56-620.
First National Bank, Rockford 56-1130.
First National Bank, Willoughby 56-1314.

Oklahoma

Guaranty State Bank, Achille 86-1148.
Farmers State Bank, Asher 86-1151.
Avard State Bank, Avard 86-674. (Regained.)
First State Bank, Blanco 86-1171.
Citizens National Bank, Boswell 86-1180.
First State Bank, Boswell.
First State Bank, Calera 86-884. (Regained.)
Collinsville National Bank, Collinsville 86-327. (Regained.)
State National Bank, Comanche 86-1165.
Elk City State Bank, Elk City 86-1167.
Fletcher State Bank, Fletcher 86-748. (Regained.)
Oklahoma State Bank, Floris 86-1160.
First National Bank, Hanna 86-1137.
Citizens State Bank, Haworth 86-1134.
McComb State Bank, Macomb 86-826. (Regained.)
Guaranty State Bank, Marietta 86-295. (Regained.)
Martha State Bank, Martha 86-824. (Regained.)
Farmers State Bank, Mulhall 86-1177.
First National Bank, Okarche 86-1178.
First State Bank, Okay 86-1155.
McClain County State Bank, Purcell 86-1161.
Richland State Bank, Richland 86-981. (Regained.)
American State Bank, Rosedale 86-874. (Regained.)
Bank of Salina, Salina 86-967. (Regained.)
Citizens State Bank, Waynoka P. O., Salt Springs 86-1153.
Scipio State Bank, Scipio 86-944. (Regained.)
Seminole State Bank, Seminole 86-1169.
Citizens Bank, Shamrock 86-675. (Regained.)
First State Bank, Smithville 86-1179.
Farmers State Bank, Spiro 86-1157.
Guaranty National Bank, Tahlequah 86-995.

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Mortuary Record of Association Members

REPORTED FROM MAY 26, 1921, TO JUNE 25, 1921

Atterburg, J. W., president Madison Bank, Madison, Mo.

Block, Henry, vice-president Continental Bank, New York City.

Brooks, Eugene, chairman Board of Directors, First National Bank, Birmingham, Ala.

Burden, Eric W., cashier Massasoit-Pocasset National Bank, Fall River, Mass.

Clement, Wallace C., president Clement National Bank, Rutland, Vt.

Douglas, Herbert, president Oneida Valley National Bank, Oneida, N. Y.

Durland, A. J., president the Durland Trust Company, Norfolk, Neb.

Edgell, Frederick Willis, vice-president Poplar Grove Bank, Poplar Grove, Ill.

Ellingson, C. K., president Hawkins State Bank, Hawkins, Wis.

Frazier, Chas., head of Chas. Frazier & Company, New York City.

Gallagher, Edw. M., president First National Bank, O'Neill, Neb.

Gault, Wm. Rogers, vice-president Market Exchange Bank, Columbus, Ohio.

Goodwin, Wm. P., treasurer and secretary Peoples Savings Bank, Providence, R. I.

Grote, Wm., president Home National Bank, Elgin, Ill.

Hamilton, H. H., president Michigan State Bank, Eaton Rapids, Mich.

Harris, J. W., vice-president Commercial National Bank and High Point Savings Bank and Trust Company, High Point, N. C.

Hicks, J. F., vice-president Bank of Sweetwater, Sweetwater, Tenn.

Holden, A. M., president Bank of Honeoye Falls, Honeoye Falls, N. Y.

Jackes, F. R., president Broadway Savings Trust Co., St. Louis, Mo.

Jenkins, J. T., president Savings Bank of Swaledale, Iowa.

Jones, Carroll S., Sr., cashier G. W. Jones Exchange Bank, Marcellus, Mich.

Joslin, C. A., treasurer Leominster Savings Bank, Leominster, Mass.

Katterhenry, Louis, president the Huntingsburg Bank, Huntingsburg, Ind.

Lamberton, Chas. McGill, president Oil City National Bank, Oil City, Pa.

Martin, R. D., president First National Bank, Checotak, Okla.

Maudlin, Benjamin F., president Bank of Anderson, Anderson, S. C.

Nichols, George, president Haverhill Five Cent Savings Bank, Haverhill, Mass.

Pendleton, Garnett, president Cambridge Trust Company, Chester, Pa.

Pfeiffer, Chas. F., vice-president Lincoln National Bank, Fort Wayne, Ind.

Phelps, Lewis M., president Wallingford Trust Company, Wallingford, Conn.

Riggio, John, president Commercial and Savings Bank, Stockton, Calif.

Shephard, Fred K., vice-president Fletcher Savings and Trust Company, Indianapolis, Ind.

Small, John C., cashier Glen Cove Bank, Glen Cove, N. Y.

Sprankle, Albert T., vice-president the Union Banking and Trust Co., DuBois, Pa.

Stockbridge, Wm. R., vice-president Scandinavian American Bank, Seattle, Wash.

Stumpe, F. W., president Bank of Washington, Washington, Mo.

Swinton, A. A., vice-president Charlevoix State Savings Bank, Charlevoix, Mich.

Turner, George A., vice-president Marshalltown State Bank, Marshalltown, Iowa.

Vansant, R. H., director Ashland National Bank, Ashland, Ky.

Watkins, Phil T., president First National Bank, Owensboro, Ky.

Weeks, Wilbur G., cashier Lyons State Bank, Lyons, Wis.

Whitner, Calvin Kline, president Farmers National Bank, Reading, Pa.

Wolf, Wm. A., president Nebraska State Bank, Beatrice, Neb.

Young, John Alex, president Washington National Bank, Washington, Iowa.

(Continued from page 43)

Oklahoma—Continued

Security National Bank, Temple 86-1115. (Regained.)

First National Bank, Terral 86-1147.

Guarantee Bank, Watts 86-962. (Regained.)

Farmers State Bank, Waukomis 86-961. (Regained.)

First State Bank, Willow 86-917. (Regained.)

Pennsylvania

First National Bank, Delta 60-1026. (Regained.)

Reedsville National Bank, Reedsville 60-1312. (Regained.)

South Carolina

The Peoples Bank, Fountain Inn 67-245. (Regained.)

Peoples Bank of Scranton, Scranton 67-361. (Regained.)

South Dakota

Farmers & Merchants State Bank, Columbia 78-653.

First State Bank, Hazel 78-551. (Regained.)

Farmers State Bank Mellette 78-286. (Regained.)

Texas

First National Bank, Kosse 88-802.

Lometa State Bank, Lometa 88-1146. (Regained.)

Vermont

Merchants National Bank, Burlington 58-2.

Sterling Trust Co., Johnson 58-129. (Regained.)

Virginia

Peoples Bank, Inc., Reedville 68-275.

Commercial Bank & Trust Co., Richmond 68-623.

West Virginia

Raleigh Banking & Trust Co., Beckley 69-403.

West Virginia—Continued

Citizens National Bank, Pennsboro 69-207. (Regained.)

Wisconsin

Milltown State Bank, Milltown 79-607. (Regained.)

Woodford State Bank, Woodford 79-892. (Regained.)

Wyoming

Farmers State Bank, Worland 99-151. (Regained.)

Mexico

Reyes & Villegas, Aguascalientes, Aguascalientes.